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Public Utilities

FORTNIGHTLY



January 30, 1947

THE INQUISITIVE THOMAS EDISON

By Ernest R. Abrams

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The Electric Light and Power Wage Structure

By Joseph W. Bloch

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Let's Train the Trainers

By W. H. Senyard

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Pigeons on the Wires

By Kitte Turmell

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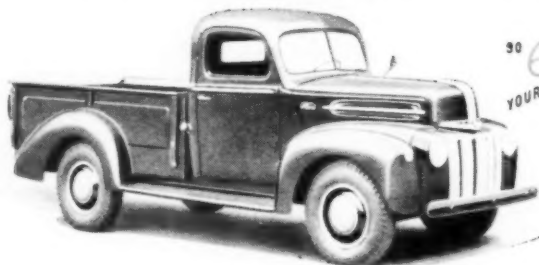
Telephone Pests I Have Known

By Herb Little

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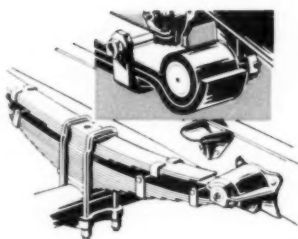
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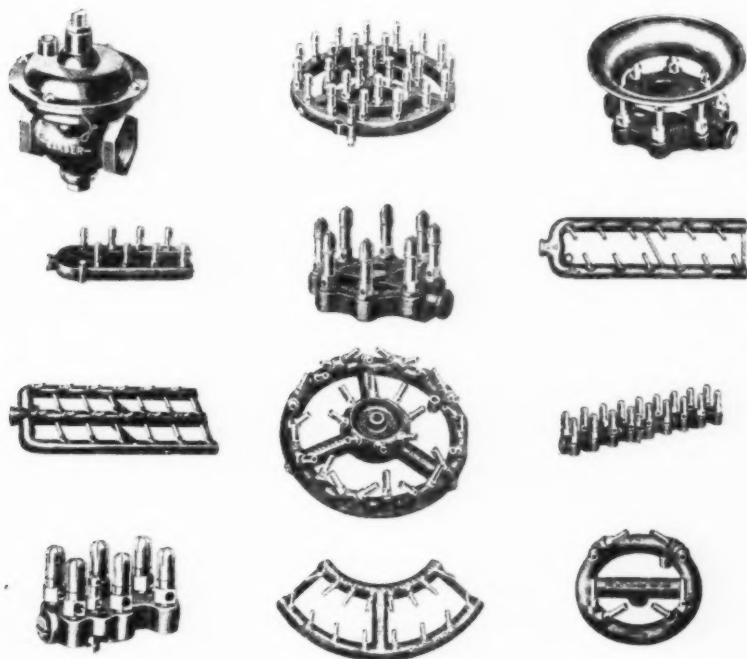


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Public Utilities Fortnightly



VOLUME XXXIX

January 30, 1947

NUMBER 3

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Q This magazine is an open forum for the free expression of opinion concerning public utility regulation and allied topics. It is supported by subscription and advertising revenue; it is not the mouthpiece of any group or faction; it is not under the editorial supervision of, nor does it bear the endorsement of, any organization or association. The editors do not assume responsibility for the opinions expressed by its contributors.

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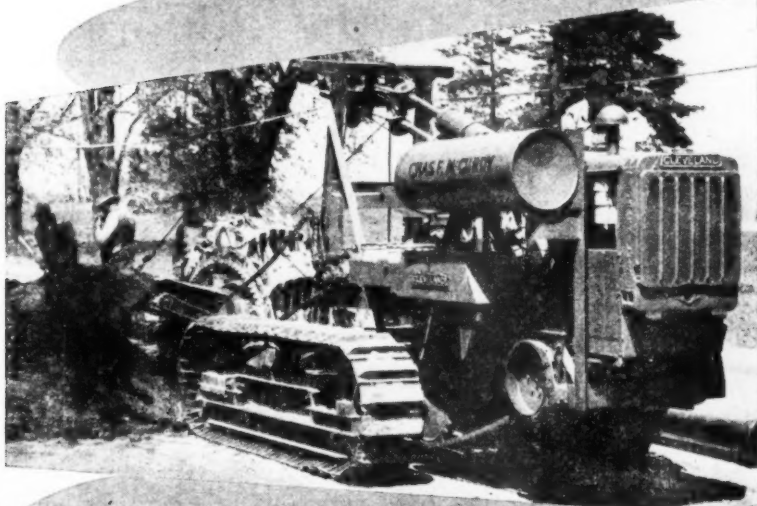
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JAN. 30, 1947

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Pages with the Editors

“‘**M**R. WATSON, come here; I want you’—the first spoken sentence heard by telephone—was unwittingly uttered by Alexander Graham Bell on March 10, 1876. The inventor, seated before a crude transmitter, had accidentally upset a battery, spilled the acid, and was excitedly shouting for aid. Assistant Watson, listening at a receiver in another room, got the message over the wire. The telephone had arrived.”—*Gas Logic*.

ONE might add to the above anecdote a number of historic “accidents” that resulted in inventions and discoveries. There is the tale of Edison who noticed the sound reproduced by a needle passing over an inadvertent scratch on an impressionable surface. Result: the phonograph. There is the tale of the great Belgian chemist, Baekland, who first tried to destroy a resinous substance that had congealed in his laboratory tube and then, upon recognizing its indestructibil-

ity, worked feverishly to reconstruct the process by which it had formed. Result: Bakelite.

To a thoughtless layman, these dramatic “accidents” may take on the aspect of so many lucky strikes. But to those who know even a little of the courage, patience, self-denial, inspiration, and, most of all, perspiration, that great inventors such as Edison, Bell, Baekland, and others have poured into their laboratories—the days and nights of scientific vigil—it is immediately apparent that these accidents are merely the “breaks” that inevitably come to the most deserving disciples of scientific wisdom.

As the late Knute Rockne is reported to have remarked, when a sports writer suggested that a certain victorious football team was merely the beneficiary of a series of lucky breaks, “I’ve always noticed that a really good team makes its own breaks.” Perhaps it might be stated another way by suggesting that it is only those who have followed the tortuous path of trial and error who are likely to produce the “breaks” or be alert and intelligent enough to recognize them when they occur.

* * * *



JOSEPH W. BLOCH

JAN. 30, 1947

THE opening article in this issue by ERNEST R. ABRAMS, well-known writer of business and economic articles of New York city, gives us a thumb-nail sketch of the intriguing personality of that great scientific genius and father of American invention, Thomas A. Edison, whose centennial anniversary will be celebrated on February 11, 1947. The straight biographical story of Edison’s career will be pretty widely circulated during this centennial observance. And so

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The Sangamo Lincoln Type WDL thermal demand meter provides, in a single unit, economical and convenient measurement of demand adjusted for power factor. This meter is made with a self contained transformer to provide the angle of lag to meet your system requirements.

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TYPE JWL

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we asked Mr. ABRAMS to give us a story on Mr. Edison's career from some particular angle which struck him as being most characteristic of the man.

THE result is an article which stresses what was perhaps Mr. Edison's most outstanding characteristic—the restless and persistent curiosity of his magnificent intellect. Edison belonged to that glorious band of incorrigible students who have always left their hallmarks on the pages of history. Curiosity is certainly one thing which Edison shared with Bell and Faraday, Lord Kelvin, and the other proud figures of the scientific immortals. He simply could not stop himself from studying and wondering about new phenomena to the very end of his days.

* * * *

TURNING back to modern times, we find the labor problem still in the forefront of congressional debate. Dozens and dozens of bills to avoid or prevent strikes and otherwise correct labor union abuses have been pouring into the hoppers of Congress and the state legislatures. Rounding out our series of articles on utility labor, we present in this issue an analysis of the electric light and power wage structure by a Federal government official.

JOSEPH W. BLOCH, economist of the U. S. Bureau of Labor Statistics, author of the article beginning page 143, studied at the College of the City of New York in the School for Social Research. He also studied at American University in Washington, D. C., and was a member of the staff of the Twentieth Century Fund's survey of collective bargaining experience in American industry. Mr. BLOCH became a member of the Bureau of Labor Statistics in May, 1941, where he wrote and collaborated in a number of industrial studies and statistical analyses. During World War II, Mr. BLOCH served with the 35th Infantry Division in four major European campaigns. He has since held his present post of economist in the Bureau of Labor Statistics.

* * * *

W. H. SENYARD, personnel director
of the Louisiana Power & Light
JAN. 30, 1947

Company, New Orleans, Louisiana, is the author of the article on training supervisory personnel, which begins on page 152. Mr. SENYARD is a graduate of the University of Arkansas, who joined the Louisiana Power & Light Company in 1926. He was recently elected chairman of the American Gas Association Southwest Personnel Conference by a vote of that group.

* * * *

AMONG the important decisions pre-printed from *Public Utilities Reports* in the back of this number, may be found the following:

THE United States Supreme Court rules upon the adequacy of congressional power to support the requirement of the Interstate Commerce Act that a pipeline company furnish to the Interstate Commerce Commission information as to facilities being used in interstate marketing of its petroleum products, whether the company be considered a private carrier or a common carrier. (See page 65.)

THE Federal Power Commission holds that a license under the Federal Power Act is required for the construction, operation, and maintenance of a power project on a river when the project would affect the interests of interstate commerce or occupy public lands of the United States, aside from the matter of navigability of the river. (See page 71.)

A TELEPHONE company's duty to serve all residents of the area of its undertaking, even where duplication of facilities will result, is ruled upon by the Wisconsin commission. (See page 75.)

THE Securities and Exchange Commission rules on proxy solicitation by a holding company's management. (See page 84.)

THE next number of this magazine will be out February 13th.

The Editors



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PREPRINTS FROM PUBLIC UTILITIES REPORTS

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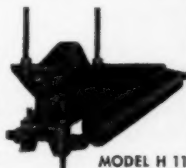
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Remarkable Remarks

"There never was in the world two opinions alike."

—MONTAIGNE



ALBERT W. HAWKES
U. S. Senator from New Jersey.

"Don't go to the government for everything you want or you won't remain free very long."

GEORGE W. GALLUP
Head of Gallup poll.

"Millions of political ignoramuses are graduated from our high schools and colleges each year."

HARRY BYRD
U. S. Senator from Virginia.

"They (the people) want less legislation, less directives, and less governmental interference with business."

WYMOND CABELL
President, Association of Stock Exchange Firms.

"Government interference with the flow of capital is bound to be inept at best and disastrous at worst."

HENRY FORD, II
President, Ford Motor Company.

"Without profits we cannot do the necessary things—we cannot expand, we cannot replace worn-out buildings and equipment."

JOSEPH C. O'MAHONEY
U. S. Senator from Wyoming.

"Since we know our national economy cannot be carried on without mining coal and pouring steel, we should guarantee an annual wage."

W. AVERELL HARRIMAN
Secretary of Commerce.

"The public has a right to expect both management and labor to show restraint and real statesmanship at the present time for their own long-term good as well as that of the country."

HARVEY F. MCPHAIL
*Director of power utilization,
Bureau of Reclamation.*

"I believe that if both REA and the Bureau of Reclamation perform their functions efficiently with their common aim to serve the public with low-cost power, no opposition can stop our program."

WHIPPLE JACOBS
*President, Belden Manufacturing
Company.*

"A clear-cut struggle is on to determine whether the United States is to enjoy freedom or totalitarian rule. At the present time the cards appear to be stacked against capitalism, and with it the free, private, competitive enterprise system."

ARTHUR HAYS SULZBERGER
Publisher, The New York Times.

"In this dear land freedom creates opportunity. Opportunity creates responsibility. We who, with responsibility, practice free enterprise do far more than promote an atmosphere in which we forward an economic system. It is a complete way of life, including the spiritual."

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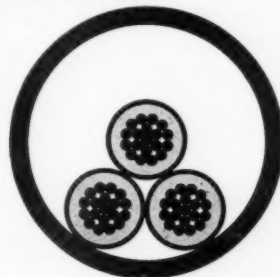
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REMARKABLE REMARKS—(Continued)

GEORGE E. SOKOLSKY
Writing in The (New York) Sun.

"If government by pressure has become fixed as the American system, let us know all about it, in detail. Let us see how it works."

J. HOWARD PEW
President, Sun Oil Company.

"Too many men in our Federal government are without faith in the ability of competitive enterprises to serve adequately the needs of our people."

FRANCIS CARDINAL SPELLMAN
Archbishop of New York.

"Every Communist is a potential enemy of the United States and only the bat-blind can fail to be aware of the Communist invasion of our country."

NILES TRAMMELL
President, National Broadcasting Company.

"Advertising in America has released human energy at a rate which was inconceivable at any previous time, and still is inconceivable in most other nations."

ERNEST T. WEIR
Chairman, National Steel Corporation.

"American people are usually right in the long run. They have shown that they have a tremendous capacity for exercising good common sense and tolerance."

EDWARD HOPKINSON, JR.
President, Investment Bankers Association.

"Neither industry nor private individuals can indefinitely function to the best advantage with a tax gatherer collecting such a high percentage of the income dollar."

CHARLES E. WILSON
President, General Electric Company.

"Every artificial control that is now in effect is like a dam thrown across a stream. The stream either stops flowing, goes underground, or is diverted into new channels."

EDGAR L. WARREN
National director, United States Conciliation Service.

"I do not believe that government can successfully substitute its own decisions for the voluntary agreements worked out over the bargaining table by representatives of labor and management. Peace in industry can only be achieved by responsible unions and responsible management."

FRANK C. RATHJE
President, Chicago City Bank & Trust Company.

"Up to the present time, we have not, under a system of free enterprise, been able to avoid the evils of failures, and, at the same time, maintain the liberties of success, solely by virtue of law and regulation. As our economy develops, we learn our lessons by the process of trial and error."

Excerpt from "Industrial News Review."

"Neither Congressmen, Senators, nor the executive branches of government can provide food, clothing, or shelter except by slave labor with lost economic and spiritual rights. Is there strength of character enough in the supposedly free American people to draw in their belts and produce? Or will they look to their Congressmen and Senators to do the impossible?"



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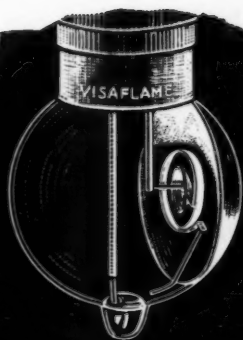
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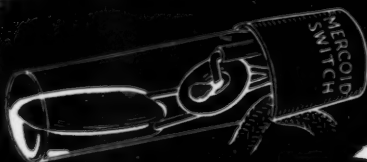
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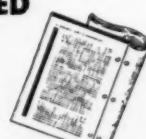


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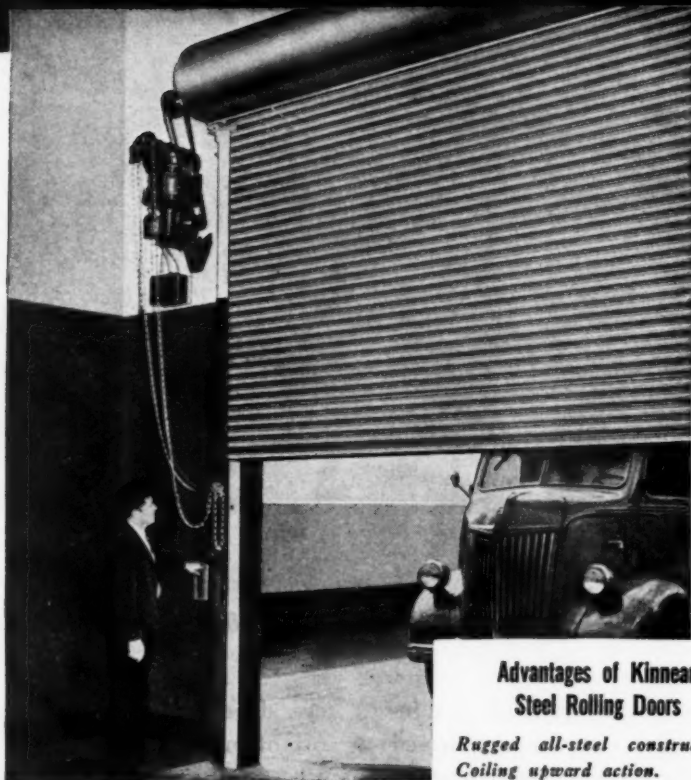
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JANUARY



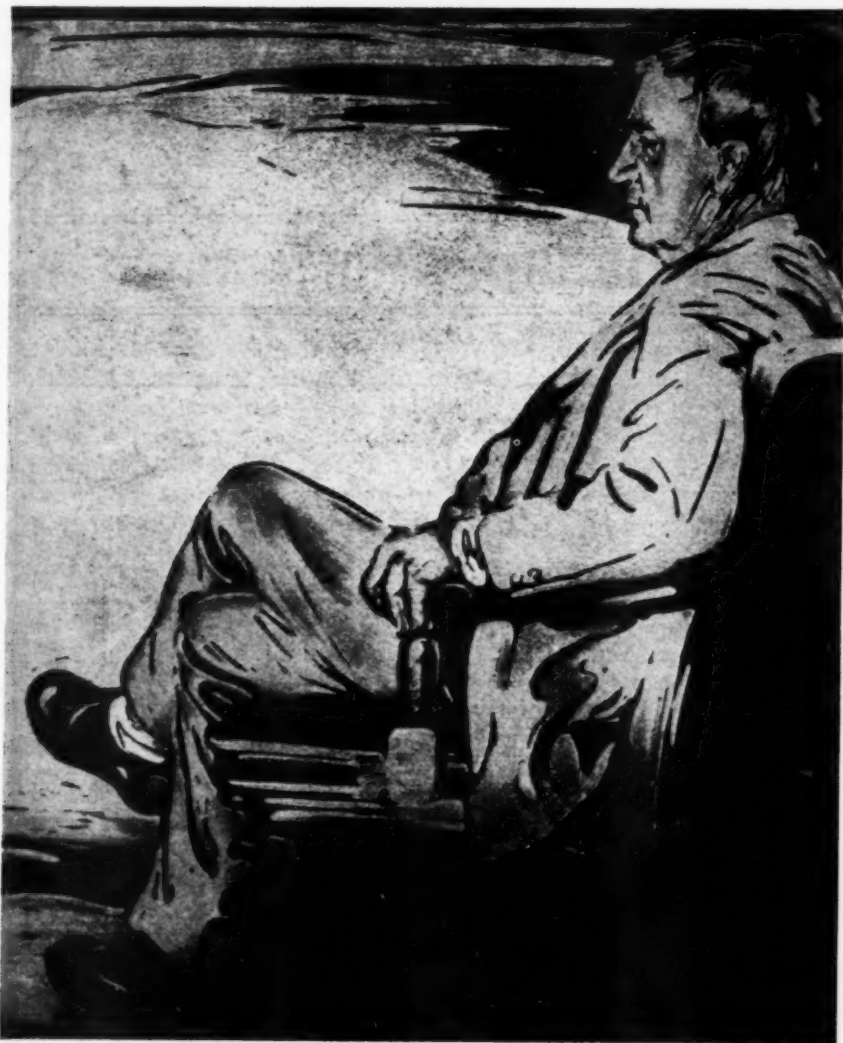
30	T ^h	† American Gas Association, Residential Gas Section, Eastern Natural Gas Sales Conference, will be held, Pittsburgh, Pa., Feb. 13, 14, 1947.
31	F	† National Electrical Manufacturers Association will hold meeting, Chicago, Ill., Mar. 3-5, 1947.



FEBRUARY



1	S ^a	† Canadian Electrical Association, Western Conference, will hold meeting, Vancouver, B. C., Mar. 3-5, 1947.
2	S	† Texas Telephone Association will hold annual meeting, San Antonio, Tex., Mar. 11-13, 1947.
3	M	† American Water Works Association, Minnesota Section, will hold meeting, St. Paul, Minn., Mar. 13-15, 1947.
4	T ^u	† American Gas Association, Residential Gas Section, Midwest Gas Sales Conference, will be held, Chicago, Ill., Mar. 17, 18, 1947.
5	W	† Iowa Telephone Association begins convention, Des Moines, Iowa, 1947. ☺
6	T ^h	† New England Gas Association annual meeting will be held, Boston, Mass., Mar. 20, 21, 1947.
7	F	† Missouri Valley Electric Association, Annual Power Sales Conference, and Industrial Power and Heating Section of Edison Electric Institute, ends, Kansas City, Mo., 1947.
8	S ^a	† Kentucky Independent Telephone Association will hold annual convention, Louisville, Ky., Mar. 26, 1947.
9	S	† Midwest Power Conference will be held, Chicago, Ill., Mar. 31-Apr. 2, 1947.
10	M	† Illinois Telephone Association will hold meeting, Peoria, Ill., Apr. 3, 4, 1947.
11	T ^u	† Southeastern Electric Exchange will hold annual conference, St. Petersburg, Fla., Apr. 3-5, 1947.
12	W	† American Gas Association—Edison Electric Institute, National Accounting Conference, will be held, Buffalo, N. Y., Apr. 7-9, 1947. ☺



Courtesy, Edison Electric Institute

Thomas A. Edison

*Reproduced from woodcut made in
1903 by William Nicholson.*

Public Utilities

FORTNIGHTLY

VOL. XXXIX, No. 3



JANUARY 30, 1947

The Inquisitive Thomas Edison

The present centennial anniversary of the birth of Edison recalls his persistent and selfless dedication to scientific inquiry—an attribute in which we are all beneficiaries.

By ERNEST R. ABRAMS*

EVERY schoolboy knows that Thomas A. Edison invented the incandescent electric lamp and the phonograph which make possible the talking pictures he sees. Many volumes have, likewise, been written about his inventive genius and his contributions to society. But all too infrequently has consideration been given to the qualities of mind and character which made Edison the greatest inventor the world has known and a man whose fame will live forever.

From his earliest boyhood, Edison had an unusually well-developed bump

of curiosity. Everything mechanical attracted him and he had to take it apart to see what made the wheels go around. The curiosity of most boys tapers off as they reach maturity, but Edison's kept on increasing. Up to the time of his death at the age of eighty-four, every new idea offered a compelling challenge to explore it. At seventy-five, when his good friend, Henry Ford, was advocating a new monetary system based on man-hours, Edison began the serious study of classical economics.

But as long as he lived, he felt the need of proving for himself the validity of statements which most men accepted as fact and the impulse to regard with

* Professional writer on business and economics, New York city.

PUBLIC UTILITIES FORTNIGHTLY

suspicion the declared authorities in every field of knowledge. Big names meant nothing to him, for he had found experts too often at error. If a statement didn't ring true, he refused to place any confidence in it until he had personally tested its accuracy. This was, perhaps, a product of his self-education and of being forced to learn things the hard way during his formative years.

IN *Who's Who in America*, Edison dismissed his education with the brief remark that he had "received some instruction from his mother." By the time he reached school age, the Edison family had moved from his birthplace at Milan, Ohio, to Port Huron, Michigan, but his days in the village's one schoolhouse were painfully brief. Overhearing his teacher tell an inspector that he was "addled and not worth keeping in school," young "Al," as he was known to his family, grabbed his books and went home. That ended his school days but not his education.

For the next seven years his mother gave him daily lessons in all subjects with which she was familiar, and, as soon as he could read well enough to retain the contents of paragraphs, she handed him all of the classics the family library contained. By his tenth birthday, Edison had read Gibbon's *Decline and Fall of the Roman Empire*, Hume's *History of England*, Sear's *History of the World*, Burton's *Anatomy of Melancholy*, and the *Dictionary of the Sciences*. But the book that stirred his curiosity the most was Parker's *School of Natural Philosophy*, which was given him on his ninth birthday. Within a year he had not only

read it many times but had performed all of the experiments listed in it which his meager equipment permitted, and longed for the day when he could buy more of it.

Sudden affluence arrived when he was twelve years old from an unexpected quarter. Having completed a branch line from Detroit to Port Huron, the Grand Trunk Railroad was looking for a newsboy, so young "Al" took the job at no pay, except the profits he could make from the papers and candy he sold. His family opposed the idea, since no economic need of his working existed, but he was adept at getting his own way, even as a kid. Moreover, in view of his new status as a businessman, he discarded his boyhood name of "Al" and tried to become "Thomas A. Edison," but without complete success. Although he got rid of "Al," most of his customers and the trainmen insisted on calling him "Tom" or "Tommy."

A COUPLE of years later, after the Civil War started, young Edison discovered that papers carrying the news of battles or casualty lists sold the fastest, so he bribed a Detroit typesetter, who got nearly the first look at what was going into each issue, to tip him off when "hot news" was to appear. He would then triple his usual order for papers, hike the price from a nickel to a dime, and have a piece of "folding money" to bolster his growing savings of silver. And, when more trains were added to the line, he hired other newsboys at fixed salaries to "work" them for him. Soon he was making as much as \$3 a day.

But young Tom didn't hoard his profits. He bought more scientific

THE INQUISITIVE THOMAS EDISON

equipment as soon as he had the price, set up a laboratory in a corner of the baggage car, and, at odd moments, began performing those experiments in Parker's book which lack of equipment had prevented earlier. At about the same time, he decided he could make more money by publishing his own newspaper, so he bought a small hand press, used for printing menus, from a bankrupt hotel and began turning out the *Weekly Herald* in the other corner of the baggage car across from his laboratory. Running off a few hundred copies of each issue, he always managed a sellout and, in addition to making more money, he had the satisfaction of seeing his own stuff quoted by Boston and New York papers and even the staid *London Times*. Without disparaging Edison's youthful literary ability, this recognition may have been because of the fact that his was the first newspaper ever to be edited and printed on a moving train.

UNFORTUNATELY, this attempt to carry on scientific research and newspaper publishing at the same time nearly ended in disaster. While monkeying with a hunk of phosphorus, Edison remembered an unfinished editorial and looked up to find the baggage car afire. And, when the unscientific conductor arrived on the run, his first fire-extinguishing act was to kick young

Tom out of the door of the moving car. Only after promising to keep all combustibles off the train was he permitted to resume his sales and publishing activities.

It wasn't long, however, before another incident changed Edison's interests and the course of his life. Busy peddling his papers on a station platform, he saw the agent's small son in the path of a freight car which was being shunted down a sidetrack. Dropping his papers and outrunning the car, he swept the boy to safety, so the agent taught him telegraphy as a reward. Engrossed in his first contact with applied electricity, he sold his news-butching and publishing businesses and became a full-fledged telegraph operator, first at Stratford Junction, Ontario, then at Cleveland, Cincinnati, Memphis, and Nashville, and finally at Boston. Having received his first patent for an electrical vote recorder while still an operator, he decided to move on to New York and devote his life to invention.

The first crude telegraph printers of the ticker type were making their appearance just as Edison reached New York and he tinkered with them with such success that he soon became the best repairman in the East. So, at twenty-two, he was made superintendent of the Gold Indicator Company's manufacturing plant at the then fabu-



"ANOTHER aspect of Edison's amazing mentality was the speed with which he could lose interest in past accomplishments or anything that had no bearing on the immediate problem at hand. Once a perplexing riddle was solved, once the jigsaw puzzle was sufficiently assembled to reveal the full picture, he brushed it aside and turned to something new."

PUBLIC UTILITIES FORTNIGHTLY

lous salary of \$300 a month. But one job wasn't enough to keep him busy and, within a year, he had invented an improved type of ticker and sold it for \$40,000.

Now, well heeled financially, he set up his own ticker manufacturing plant in Newark and, just to keep occupied, he worked simultaneously on 45 different inventions on the side.

THUS, at twenty-three, this "addled" young man with no formal education had far outstripped his "bright" Port Huron playmates and had become a recognized authority in the field of electrical and mechanical research and in the invention of devices for the benefit of his fellow man. But his success had all the more firmly implanted in him the certain belief that the only way to be sure of anything was to find it out for himself.

The compelling inquisitiveness of the adult Edison and his need of exploring fully each field into which his work carried him can best be evidenced by his preparations for the invention of the incandescent lamp. To determine what would be required of the lamp he was about to produce, he made an exhaustive study of the whole field of public and private illumination, including a special investigation of gas lighting in New York city, and so complete was his knowledge of the subject by the completion of his study that Luther Stieringer, world-renowned gas engineer, pronounced him the man who knew the most about gas and gas lighting, both here and abroad.

WITH his study completed, he summarized the problem facing him in these cryptic words:

OBJECT: Edison to effect exact imitation of all done by gas, so as to replace lighting by gas, by lighting by electricity.

And only then did he approach Grosvenor P. Lowrey, the leading New York attorney of his day, who represented the city's leading financial interests. After listening to Edison's estimate of the chances of success and examining his report on illumination, Lowrey organized the Edison Electric Light Company, a patent-holding concern with a paid-in capital of \$300,000, to finance the invention of the incandescent lamp.

WHEN the news became public, gas stocks dropped as much as 12 per cent in New York while shares of the Chartered Gas Company of London lost between \$5 and \$10 in market value. So a select committee was appointed by the British House of Commons at the instigation of London financiers to investigate the possibility of electric lighting with incandescent lamps and to estimate its impact upon the gas industry. To the temporary relief of the financiers, every expert appearing before the committee testified that incandescent electric lighting was utterly impossible.

But John Tyndall, a Fellow of the Royal Society, an expert physicist and the outstanding authority on sound in England, wasn't so sure. Noting the elusive qualities of the minds of inventors, he told the Royal Society's meeting on January 17, 1879:

Such minds resemble a liquid on the point of crystallization. Stirred by a hint, crystals of constructive thought immediately shoot through them. That Mr. Edison possesses this intuitive power in no common sense is

THE INQUISITIVE THOMAS EDISON



Measure of Business Success

"IF success in business be measured by the contribution a man makes to society and not merely the size of his fortune, Thomas A. Edison was a success, indeed. Balanced against the \$6,000,000 he left are the \$22,000,000,000 that had been invested at the time of his death in facilities for the production or use of his inventions and ideas; the more than 4,000,000 workers who were receiving steady employment through the use of these facilities..."

proved by what he has accomplished. He has the penetration to seize the relationship of facts and principles, and the art to reduce them to novel and concrete combinations. Hence, though he has thus far accomplished nothing that we can recognize as new in relation to electric light, an adverse opinion as to his ability to solve the complicated problem on which he is engaged would be unwarranted.

"Genius," Mr. Edison loved to repeat, "is 1 per cent inspiration and 99 per cent perspiration," the truth of which he amply proved before he turned out his first practical incandescent lamp. To find the right material for a filament, he sent men to China and Japan, to India and the jungles of the Amazon. He tested every kind of known metal and alloy, over 6,000 varieties of vegetable growths, and all sorts of paper and cardboard. He even tried the red whiskers of the station agent whose son he had rescued. Finally, after securing the best results with thin paper coated with carbon, he made a supply of them for his first public demonstration. But,

even though the public wildly cheered his achievement, Edison wasn't satisfied.

WHenever he had any heavy thinking to do, Edison would pick a cigar from the ever-open box, plant his feet on a desk, and become lost in a cloud of smoke. And, although this was the night of December 31st, he fingered the rim of a bamboo fan he had absent-mindedly picked from a table near him. Suddenly he jumped to his feet and told his assistants to cut the fan rim into filaments and to blow a few bulbs so he could see how a bamboo filament would work. And work it did. Not only was the bamboo filament a great success but it served as the basis for incandescent lighting for many years until a composition of metals eventually displaced it. This, then, is the way "crystals of constructive thought," shooting through Edison's mind as

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John Tyndall predicted they would, made monkeys of the British experts who said incandescent electric lighting was impossible.

Another aspect of Edison's amazing mentality was the speed with which he could lose interest in past accomplishments or anything that had no bearing on the immediate problem at hand. Once a perplexing riddle was solved, once the jigsaw puzzle was sufficiently assembled to reveal the full picture, he brushed it aside and turned to something new. He carried his interest in the future to the point where he was almost wholly disinterested in his ancestors. When Meadowcroft, his secretary and biographer, was preparing his life of Edison, he was able to include only a meager geneology. Even though he sat across the library and was available for consultation, Edison wasn't sufficiently interested to bother about supplying the requisite information.

So it fell to William Adams Simonds, the curator of Henry Ford's Greenfield Village, to complete the task. In building an Edison geneology for his biography of Edison, he had not only the mass of Edisonia that had been shipped from West Orange to Dearborn, but that section of Canada where Edison's ancestors had lived and died was only a short trip away. In that way, he didn't have to rely on what the aging man was willing to tell, but could build his geneology from the markers in Canadian church yards, records of Canadian churches and villages, and the memory of the vanishing few who had known the early Edison family.

IT was due largely to Edison's lack of interest in things past that his original Menlo Park laboratory and the

originals of many of his early inventions now are permanently lodged in Greenfield Village. In a way, it had its inception in the manner in which Edison treated his original phonograph. So long as it remained in his library, he regarded it merely as a piece of old machinery from which he could extract a screw or bolt of the proper size and threading for some new device he was working on. When Ford first saw it, this forerunner of all talking devices was fast becoming a mass of junk.

After Ford's repeated protest that such originals should be preserved for posterity, Edison exploded: "That's a fine hobby for you rich fellows who can afford it. If you want this old stuff, I'll give it to you." So Ford sent six men to West Orange, who combed the laboratory and machine shop for several months and eventually shipped carloads of Edison originals to Dearborn. There they are lodged in the Menlo Park laboratory, which had been taken down, piece by piece, and reassembled at Greenfield Village. The result is that the laboratory and library of Mr. Edison at West Orange are much richer in books and documents than in early models of his inventions.

The trite observation that inventors are not good businessmen does not hold true in the case of Thomas Edison. At his death in the fall of 1931, nearly two years after the collapse of quoted values, his estate was valued at upwards of \$6,000,000, which isn't "hay" in even these days of astronomical Federal expenditures and war debts. It is correct to state, however, that amassing a fortune of huge proportions was neither Mr. Edison's primary objective nor desire. Yet, had he wished, he could have done so.

THE INQUISITIVE THOMAS EDISON

HENRY FORD, his good friend, designed and perfected a cheap and efficient automobile, and then devoted his major effort to its continued production—a scheme of procedure that brought him a fabulous fortune. Approximately thirty years earlier, Thomas Edison invented the phonograph, which received world-wide acceptance and could have brought him great wealth, had he been content to devote his untiring efforts and unequalled genius solely to its manufacture and sale. Instead, he deserted the phonograph after a year to solve further problems of benefit to mankind; and when he returned to it, a decade later, other manufacturers had skimmed a part of the cream off the public demand.

The stark fact is that Thomas Edison had no interest in money *per se*. Under the dictates of his compelling inquisitiveness, he could devote his abundant energy to an idea only so long as his technical skill and ability were required to bring it to fruition. Then, with his curiosity satisfied, he sold it for what it would bring and allowed others to make the "big" money. Profits meant only two things to Edison. Cognizant of the materialistic world around him, they offered tangible evidence that he was contributing to the betterment of humanity. But, more important in his eyes, they provided the means for expanding his laboratory and increasing his facilities

for the further development of ideas and techniques.

When his heart was in it, Thomas Edison could be a very successful manufacturer and derive a full profit from an enterprise. After the incandescent lamp was perfected and ready for production, Edison Electric Light Company denied all interest in its manufacture. "Ours is a patent-controlling concern," the directors told him. "If lamps are to be made, you are the one to do it. All we will do is buy the lamps at wholesale and distribute them to electric utilities." So he established the Edison Lamp Works and made it a highly profitable enterprise after production costs had been cut to the level he predicted.

WITHOUT precedents to guide him, Mr. Edison believed he could make a fair profit from incandescent lamps at a wholesale price of 40 cents each. But he had quite a time convincing some of his employees, whom he had permitted to buy stock, after production costs during the first year averaged \$1.10 a lamp. Moreover, even though the cost of making lamps dropped to 50 cents in the second year and 40 cents in the third, losses were mounting because of greatly increased output. But when production costs dropped to 38 cents a lamp in the fourth year, the accumulated deficit of the preceding three years was erased. And



Q "THE trite observation that inventors are not good businessmen does not hold true in the case of Thomas Edison. At his death in the fall of 1931, nearly two years after the collapse of quoted values, his estate was valued at upwards of \$6,000,000, which isn't 'hay' in even these days of astronomical Federal expenditures and war debts."

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when costs hit 37 cents a lamp in the fifth year, dividends were paid each Saturday night. Moreover, when they got down to 22 cents a lamp and profits became fantastic, Wall Street began figuring how it could chisel in on them.

Among his early enterprises, the Lamp Works alone was the one Thomas Edison wanted to keep. But he was doomed to lose it through corporate complexities—a field into which he had never delved. Under the guidance of Samuel Insull, first his secretary and then his business manager, his various electrical manufacturing concerns, along with the Edison Lamp Works and the Edison Machine Works, were consolidated into the Edison United Manufacturing Company. Then, in 1888, Edison United was absorbed by Edison General Electric and, in 1892, the new concern was merged with the Thomson-Houston Electric to form the present General Electric Company. Although \$10 was paid to Edison for every \$1 he had invested in these concerns, he lost control of his pet enterprise—the Edison Lamp Works. By the time of the merger, it had become one of a group of Siamese quintuplets and couldn't be cut loose.

IF success in business be measured by the contribution a man makes to society and not merely the size of his fortune, Thomas A. Edison was a success, indeed. Balanced against the \$6,000,000 he left are the \$22,000,000,000 that had been invested at the time of his death in facilities for the production or use of his inventions and ideas; the more than 4,000,000 workers who were receiving steady employment through the use of these facilities; and the more than \$6,000,000,000 in wages and profits that flowed each year from these tools of production. Unquestionably, these figures would be much higher today.

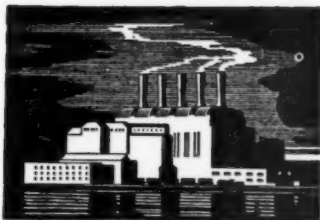
PERHAPS Charles F. Kettering, who has done a little inventing himself, and who is well qualified to speak with authority, best expressed a universal appreciation of Thomas Alva Edison in his recent remark:

"Every citizen is as much a beneficiary of Mr. Edison as if he had mentioned him in his will. The comparatively small sum of money he may have received for his inventions is microscopic in comparison with the public's benefit—yours and mine."

Edison's Open Mind

"EDISON's greatest asset was an open mind. Once he was asked if he had any maxims to live by, or any conclusions as to fundamental laws that he could pass on to other inventors. He replied, 'Ah, these men know more about their own work than I could tell them. I haven't any conclusions to give—I'm just learning about things myself.' Later he added, 'I have tried so many things I thought were true and found I was mistaken, that I have quit being too sure about anything. All I can do is try out what seems to be the right thing, and be ready to give it up as soon as I am convinced there is nothing in it.'"

—EXCERPT from "Edison, the Man and His Work,"
by George S. Bryan.



The Electric Light and Power Wage Structure

Types of employment of the nearly 200,000 workers in the privately owned industry, and analysis of payments for the varied classes of service.

By JOSEPH W. BLOCH*

OVER 16,000,000,000 kilowatt hours of electricity were sold to the nation's industries and homes in July, 1945. To supply the bulk of that power, privately owned electric light and power systems employed nearly 200,000 workers. In what jobs were these workers engaged? How much did they earn? How did the more important occupations compare as to earning power? These and other significant aspects of the industry's wage structure are discussed in this article, which is based on the first national survey of the industry made by the Bureau of Labor Statistics. A large and representative portion of the industry was covered in this survey.

Wage rates of light and power workers have increased substantially since July, 1945. In a study of postwar increases in basic wage rates, the bureau found few workers in a sample

of electric light and power systems who had not received wage increases between VJ-Day and May 1, 1946. The bulk of the workers in these companies had received increases ranging from 10 to 20 cents an hour. The wage data shown in this article, therefore, understate the present level of wages in the industry. However, the composition of the labor force, the relationships among occupational wage rates, and other aspects of wage structure discussed below change much more slowly than wage levels; hence, in these respects the report requires no important qualifications to be applicable to today's conditions.

The Labor Force

ALTHOUGH the large utilities dominate the industry picture, the majority of the nation's privately owned light and power companies employed fewer than 250 workers in July, 1945; many distributors employed less than 8

* For personal note, see "Pages with the Editors."

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workers. Excluding the latter, an estimated 430 systems were in existence in July, 1945; half employed from 8 to 250 workers, and, of the rest, 3 out of 4 had more than 500 workers. Conforming to the distribution of population and industry in the country as a whole, the electric light and power industry is widely dispersed, but half of the employment is found in the Middle Atlantic and Great Lakes regions.

Approximately 240,000 workers were employed in the multiple activities carried on by the 430 systems. Of these, 196,000 could be termed light and power workers, engaged in generating, distribution, installation and servicing, plant maintenance, office work, and other functions connected with the production and sale of electricity. The rest of the workers were employed in providing allied or independent services, such as producing and distributing gas and steam, operating telephone, transportation, and water systems, and selling electrical appliances. Administrative, executive, and professional personnel are not included in these figures.

THE relative importance, in terms of employment, of the various functional divisions of light and power systems is revealed by a study of the work performed by the industry's labor force. Out of every 100 workers, 18 are engaged in allied services, leaving 82 to carry out the principal function of the industry. The various phases of the operating division occupy 39 of every 100 workers. Producing electricity and delivering it to the transmission lines at the power plant requires 12 workers, including switchboard, turbine, boiler, and auxiliary-equipment operators.

About 19 workers are engaged in constructing and maintaining the distribution equipment and lines that carry the current from station to station and to the ultimate consumer. The important workers in this group are the linemen, substation operators, trouble men, and ground men. For the final phase of operating, 8 workers are responsible for maintaining recording devices and bringing the power and attendant services into the home and factory. Metermen, meter readers, and appliance servicemen are found in this group.

The maintenance of plant and equipment occupies 9 of every 100 workers. This ratio is rather high compared to that found in many large-scale manufacturing industries. Custodial workers, including guards, janitors, and watchmen, account for about 3 out of every 100 workers. Finally, forming a large proportion of each 100 workers in the industry, 31 persons are needed to handle the volume of clerical work resulting from the widespread distribution of services and other aspects of this industry.

Except for office personnel, this labor force is predominantly male. Women are frequently employed as janitors, but they are rarely found in other non-office jobs. In the office, however, 2 of every 3 workers are women.

Wage Structure

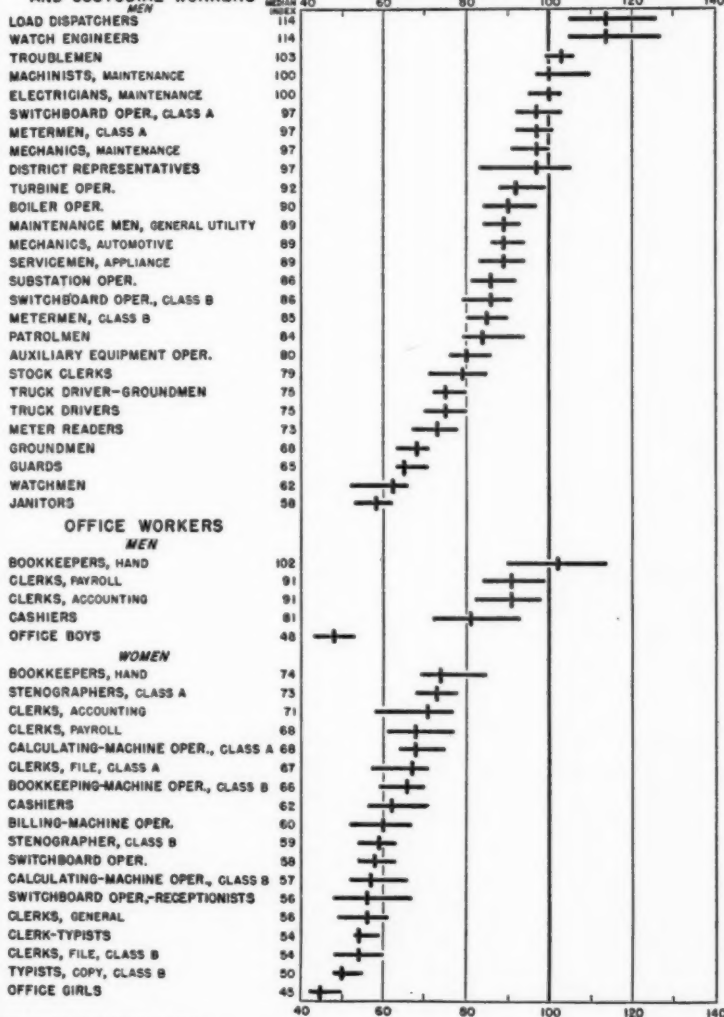
THREE important phases of the wage structure are discussed in this article: Hourly earnings of men nonoffice workers, the average earnings of workers in key plant and office occupations, and the differentials among key occupations as they appear in the average system wage scale. Variations among the principal economic regions,

THE ELECTRIC LIGHT AND POWER WAGE STRUCTURE

INDEXES OF WAGE RATES FOR SELECTED OCCUPATIONS IN THE ELECTRIC LIGHT AND POWER INDUSTRY JULY 1945

WAGE RATES FOR JOURNEYMEN LINEMEN = 100

OCCUPATION, GRADE AND SEX
MAINTENANCE, OPERATING,
AND CUSTODIAL WORKERS



UNITED STATES DEPARTMENT OF LABOR
BUREAU OF LABOR STATISTICS

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as well as the picture for the industry as a whole, are analyzed. The basic data consist of straight-time average hourly wage rates, exclusive of premium pay for overtime and night work and nonincentive bonuses (such as Christmas bonuses). Cost-of-living payments of a regular nature were included, as were group incentive bonuses received by a very small proportion of the industry's workers. Workers engaged in allied services and administrative, executive, and professional personnel were excluded from the tabulations.

The Industry As a Whole

WAGE LEVELS. Straight - time hourly earnings of men in non-office jobs ranged from less than 45 cents to more than \$2 in July, 1945. The average was \$1.04 an hour. About half the men earned between 85 cents and \$1.20. This diversity in hourly earnings was influenced to a considerable extent by the variations among occupations in skill or training requirements, responsibility, and other factors which bear upon wages. Differences in occupational earnings are brought out by the accompanying table, which presents average hourly wage rates for key jobs. These selected plant and office occupations engage a substantial number of workers and reflect the wide range of functions, skills, and earnings characteristic of the industry. Load dispatchers averaged \$1.42 an hour; male janitors, in contrast, earned 73 cents; and women in the same occupation, 60 cents. Journeymen linemen, over 11,000 in number, averaged \$1.19 an hour. Among office workers, earnings by occupation ranged from 56 to 57 cents averaged by office girls and

office boys, respectively, to \$1.15 for men hand bookkeepers.

WAGE RELATIONSHIPS. Many electric light and power companies set occupational wage rates on the basis of systematic job evaluation programs; others evaluate job requirements with less formal methods. In most cases, however, rates are determined for specific jobs, usually with a limited range of increases to allow for individual factors such as merit and seniority. An analysis of tendencies in occupational wage relationships is, therefore, of considerable value; the wage pattern indicated in the chart constitutes a background against which system wage problems may be examined, specifically in connection with comparing differentials between occupations or skill levels, evaluating out-of-line rates, and placing new jobs into the wage scale. The relative positions of other occupations in the industry can be arrived at by comparison and interpolation, taking into account such factors as the general similarity in job content.

A STUDY of representative systems employing more than 50 workers provided what might be termed the average wage pattern for the industry. In the chart selected occupations are arrayed in descending rank corresponding to their respective positions in the national wage ladder. The median index figure opposite each job expresses the average ratio which wage rates in the occupation bear to the rates paid to journeymen linemen. These indexes can also be used to compute the approximate percentage spread between other occupations. For example,

THE ELECTRIC LIGHT AND POWER WAGE STRUCTURE



AVERAGE HOURLY WAGE RATES (STRAIGHT-TIME HOURLY EARNINGS)¹
FOR SELECTED OCCUPATIONS IN ELECTRIC LIGHT AND POWER SYSTEMS,
JULY, 1945

<i>Occupation, Grade, And Sex</i>	<i>Number Of Workers</i>	<i>Average Hourly Rate</i>	<i>Occupation, Grade, And Sex</i>	<i>Number Of Workers</i>	<i>Average Hourly Rate</i>
PLANT WORKERS			OFFICE WORKERS		
<i>Men</i>			<i>Men</i>		
Auxiliary-equipment operators	3,289	\$0.97	Bookkeepers, hand	387	\$1.15
Boiler operators	4,631	1.09	Cashiers	197	.92
District representatives	1,845	1.01	Clerks, accounting	1,507	1.08
Electricians, maintenance	3,957	1.22	Clerks, general	208	.81
Groundmen	3,692	.79	Clerks, payroll	201	1.05
Guards	1,161	.85	Office boys	138	.57
Janitors	3,053	.73	<i>Women</i>		
Linemen, journeymen	11,236	1.19	Billing-machine operators	900	.71
Load dispatchers	1,128	1.42	Bookkeepers, hand	509	.84
Machinists, maintenance	705	1.23	Bookkeeping machine operators:		
Maintenance men, general utility	1,954	1.08	Class A	91	.84
Mechanics, automotive	1,661	1.09	Class B	293	.84
Mechanics, maintenance	2,287	1.14	Class C	87	.68
Metermen, class A	2,434	1.17	Calculating machine operators:		
Metermen, class B	1,728	1.05	Class A	128	.85
Meter readers	4,789	.87	Class B	287	.69
Patrolmen	718	1.14	Cashiers	2,422	.70
Servicemen, appliance	2,861	1.06	Clerks, accounting	2,668	.74
Stock clerks	1,762	.95	Clerks, file, class A	156	.79
Substation operators	6,329	1.12	Clerks, file, class B	357	.61
Switchboard operators, class A	2,981	1.11	Clerks, general	2,714	.62
Switchboard operators, class B	1,762	.98	Clerks, order	316	.69
Troublemakers	3,722	1.21	Clerks, payroll	750	.80
Truck drivers	1,366	.95	Clerk-typists	1,956	.65
Truck-driver groundmen	2,545	.93	Office girls	492	.56
Turbine operators	2,428	1.11	Stenographers, class A	1,543	.85
Watch engineers	1,841	1.32	Stenographers, class B	2,708	.72
Watchmen	566	.78	Switchboard operators	1,339	.73
<i>Women</i>			Switchboard operator-receptionists	187	.67
Janitors	783	.60	Typists, copy, class A	140	.77
			Typists, copy, class B	548	.64

¹ Excluding premium pay for overtime and night work.

the median indexes for class A and class B switchboard operators were 97 and 86, respectively, or 97 and 86 per

cent of the rates paid to journeymen linemen. The average wage advantage of the class A over B switchboard

PUBLIC UTILITIES FORTNIGHTLY

operators was, therefore, 13 per cent (97/86). The middle range of indexes indicates the variation in wage practices covering 50 per cent of the systems studied.

Among the maintenance, operating, and custodial occupations, the highest positions in the wage scale were held by load dispatchers and watch engineers, on an equal level 14 per cent above that of journeymen linemen. Lowest in the scale were janitors, earning 58 per cent of the linemen's rate. Several concentrations of occupations at identical wage levels are evident in the industry-wide wage scale. For example, maintenance machinists, maintenance electricians, and journeymen linemen (the base occupation) tended to receive the same hourly rate. Troublemakers, who are usually qualified journeymen linemen, ranked slightly higher in the wage scale than the base occupation.

Company wage policy governing office workers is usually distinct from that covering operating and maintenance workers. However, by relating office wage rates to linemen's rates, the relative positions of office workers in the typical system wage scale, as well as the wage differential between one office occupation and another, can be observed. In terms of average hourly earnings, men hand bookkeepers held a position comparable to skilled troublemakers, whereas payroll and accounting clerks were approximately on a level with turbine and boiler operators. Women office workers, including the higher skilled, occupied positions at the lower end of the wage ladder were, below truck drivers. Men office workers held a substantial wage advantage over women in jobs of similar character, possibly with lesser responsibilities.

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Regional Variations in Wage Structure

WAGE LEVELS. Average hourly earnings of all men in plant or other operating jobs ranged from 87 cents in the Southeast to \$1.13 in the Pacific region. In terms of over-all earnings, the differentials separating the Great Lakes (\$1.07), New England (\$1.06), and Middle Atlantic (\$1.05) regions were slight as were those between the Middle West (92 cents) and the Southwest (89 cents) and between the latter and the Southeast. Inasmuch as differences in the occupational distribution of workers influence the over-all averages, earnings in similar occupations present a more precise basis for comparison of regional wage levels. In an examination of regional wage data, the high level of the Pacific region was again evident, particularly among the nonoffice occupations.

While there appeared to be no clear-cut difference between the Great Lakes and Middle Atlantic regions with respect to nonoffice occupations, occupational averages were generally higher in these regions than in New England. For office jobs, Middle Atlantic rates were, on the whole, higher than those in the Great Lakes. Occupation by occupation, wage rates were generally higher in the Southwest than in the Middle West; the latter, in turn, held a wage advantage over the Southeast. Office earnings, however, were higher in the Southeast than in the Southwest and Middle West.

WAGE RELATIONSHIPS. To determine characteristic regional wage patterns, a broader geographic base was considered desirable in order to impart greater stability to the data. Thus,

THE ELECTRIC LIGHT AND POWER WAGE STRUCTURE

the New England and Middle Atlantic regions were combined into the Northeast area, the Southeast and Southwest into the South, and the Mountain and Pacific regions into the Far West. The Great Lakes and Middle West regions were not grouped. Data similar to those presented in the chart were computed for each region. Space limitations preclude presentation of these results in this article, but certain general observations should be of interest.

Regional wage patterns may best be observed in comparison with the nation-wide wage scale, since the latter serves as a "bench mark" against which variations may be evaluated. In the following analysis, therefore, each regional pattern is measured against the industry wage scale shown in the chart. As minor differences are inherent in the nature of the data, only the more significant variations are discussed here.

Wage relationships in northeastern light and power systems conformed fairly closely to the national pattern. The spread between the lower level of wage rates (occupied by custodial workers and groundmen) and the intermediate level (consisting roughly of the occupations earning less than journeymen linemen) was somewhat narrower in the regional scale. On the other hand, the spread between the in-

termediate level and the higher ranking occupations was slightly wider. Thus, in relation to the lowest and highest paid occupations, the intermediate occupations held lower positions in the regional than in the national wage scale. Notable exceptions were truck drivers and truck-driver groundmen, who occupied markedly better positions in the region. Office occupations, except women accounting clerks, were on about the same level regionally and nationally.

WITH some exceptions, the wage pattern of Great Lakes light and power systems was almost identical with the nation-wide pattern. Watch engineers and the custodial jobs held significantly higher positions in the regional as against the national wage scale; class B switchboard operators and stock clerks were rated somewhat lower in the Great Lakes scale. On the whole, office wage rates compared less favorably with nonoffice rates in the regional picture.

Southern systems showed a pattern that differed significantly from the industry-wide wage scale. Although the ranking of jobs compared closely, the spread between occupational rates was considerably wider in the South than nationally. Typically, the lesser skilled jobs occupied relatively lower posi-



Q "ALTHOUGH the large utilities dominate the industry picture, the majority of the nation's privately owned light and power companies employed fewer than 250 workers in July, 1945; many distributors employed less than 8 workers. Excluding the latter, an estimated 430 systems were in existence in July, 1945; half employed from 8 to 250 workers, and, of the rest, 3 out of 4 had more than 500 workers."

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tions; the higher skilled held a comparative advantage. The principal exceptions were watch engineers and district representatives, who were rated lower in the South than nationally. Office occupations were significantly higher in the southern wage scale.

In the Middle West and Far West, the fewer companies and the preponderance of systems with less than 500 employees tended to weaken the reliability of the data for some occupations. Possibly for this reason the variations from the national wage scale formed less distinct patterns than were observed in other regions. The wage ladder in the Middle West exhibited less concentration of job rates than did the nation-wide pattern; that is, wage differentials appeared between occupations shown on the same level in the chart. On the whole, however, the ranking of occupations and the spread between general wage levels in the Middle West did not differ materially from the industry pattern.

The picture for the Far West, as contrasted with the nation-wide pattern, presented a closer grouping of wage rates among the higher skilled occupations. On the other hand, a slightly wider spread was observed at the lower end of the wage ladder. While most office occupations were higher in the regional scale, women accounting clerks and switchboard operators were conspicuously lower.

Variation of Wage Structure with Unionization and Size of System

UNIONIZATION. It is estimated that about two-thirds of the privately owned light and power systems operated under the terms of union agreements covering at least half of non-

office personnel. Most of the larger systems were organized, hence the bulk of the plant workers in the industry (approximately 90 per cent) were either covered by a union contract or worked for a union company. The International Brotherhood of Electrical Workers (AFL) maintained collective bargaining agreements with a large majority of the unionized systems. The Utility Workers Organizing Committee (CIO) and various unaffiliated unions also represented workers in the industry. A comparison between union and nonunion systems with respect to average hourly earnings of operating, maintenance, and custodial workers revealed that wage rates were higher in the more numerous and larger union systems. With exception of the New England and Southwest regions, where nonunion rates tended to equal or exceed the union rates, the wage advantage of the unionized systems was observed regionally as well as nationally.

SIZE OF SYSTEM. It was also found that systems employing less than 250 workers on the whole paid lower wages than the larger systems. Differences in wage relationships as between small and large light and power systems were studied for two groups—those employing from 51 to 500 workers and those having more than 500 workers. The ranking of occupations in the two size groups showed a high degree of similarity. The widest difference in position was indicated for district representatives, who appeared considerably higher in the wage scale for the smaller systems. In the larger systems, the highest-paid operating or plant occupation was load dispatcher;

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in the smaller systems, watch engineer. In both groups janitors were at the bottom of the scale. The spread between the highest and lowest occupations was wider in the larger systems, an advantage of 109 per cent as contrasted with 89 per cent for smaller systems. Moreover, the spread between the various clusters of wage or skill levels was somewhat greater in the larger systems. On the whole, office workers appeared higher in the wage scale for this group.

Apart from the general variations in wage patterns, there were significant differences in the relative wage levels of several occupations. Load dispatchers and watch engineers held substantially greater wage advantages over other occupations in the larger systems. On the other hand, district representatives, truck drivers, and truck-driver groundmen occupied relatively better positions in the wage scale for smaller systems. In relation to other occupations, journeymen linemen were at a slight advantage in the smaller systems. Among office occupations, the wage position of women accounting clerks in the larger systems was notably better than in smaller companies. The reverse was true for hand bookkeepers.

Wage and Related Practices

WORK SCHEDULES AND PREMIUM PAY. In July, 1945, half of the systems studied had a scheduled work week of forty hours for maintenance, operating, and custodial personnel. About a third were on a 48-hour week. Round-the-clock operations were maintained by almost all the light and power systems; consequently about 10 per cent of nonoffice labor force were required to work on each of the two extra shifts. Less than a fourth of the sys-

tems, however, paid premium rates for late shift work. The premiums were generally 5 cents or less an hour for second-shift work and from 5 to 10 cents an hour for third-shift work.

BONUSES. In one out of four systems, bonuses not directly related to production (such as Christmas bonuses) were given to plant and office workers. These bonuses were not included in the wage data previously shown.

LUNCH PERIODS. Information was obtained regarding paid lunch periods over twenty minutes in length. This practice was not common, only 5 per cent of the systems reporting such provisions.

VACATIONS AND SICK LEAVE. A paid vacation policy for plant and office workers was maintained throughout the industry. Plant workers received 1- or 2-week vacations in about equal proportions (by number of systems), whereas the majority of the systems favored 2-week vacations for office workers.

Formal provisions for paid sick leave for plant and office workers were in effect in 60 per cent of the systems studied. In slightly less than half of these systems the sick leave period was one week; in the rest, two weeks or more were paid for.

INSURANCE PLANS. Most of the electric light and power workers in plant and office could participate in life or health insurance plans paid for in whole or in part by the company. Retirement pensions were maintained by more than a third of the systems. Less than 15 per cent of the systems studied had no insurance or pension plan in effect in July, 1945.



Let's Train the Trainers

This is necessary, in the opinion of the author, if utility companies are to develop and maintain good customer relations.

By W. H. SENYARD*

SUPERVISORY training is a topic that seems to come in for its share of discussion at all gatherings and meetings of personnel representatives, and of late is being included on the agenda of other company groups such as accounting, engineering, operating, production, and others. If such discussion does no more than evoke a realization that there is a place and need for supervisory training, the time spent on it has been justifiable. But actually to travel along the road toward the solution of the problem there must be more than a realization that there is a need. That realization must be transformed into a plan and the plan put into action.

Perhaps it would be well for us to ask—Why is supervisory training the order of the day? Is it a vogue? Do we feel compelled to have it because others have it, and must, therefore, keep up with the bandwagon? Perhaps some, it is hoped not many, are influenced in that manner. The results of a program so inspired would certainly be questionable.

*Director of personnel, Louisiana Power & Light Company. For personal note, see "Pages with the Editors."

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Maybe the answer to the need for supervisory training and the reason why it is the order of the day will be found in a few simple, elementary questions. It may be well to begin with—Why are we in business? For the moment, omitting our responsibilities and obligations, we are in business to sell our product at a profit, for if there is no profit we cannot remain in business.

This leads us to the next question in determining the need and reason for supervisory training—What must we do to remain in business so that we may continue to sell our product at a profit? We must:

1. Have a product that is needed and wanted by the customer, and that is priced right.
2. Maintain dependable service.
3. Develop and maintain good customer relations.

IF these three factors prevail, we will be discharging fully our responsibilities as a public utility, our customers and communities will be satisfied in their association with us and have no desire to "dispossess us," and so we

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may continue to stay in business and sell our product at a profit.

But, it may be asked, do employee relations affect these three basic requirements? Most assuredly they do. They affect all three. For example, the product may be priced right only if the cost of operations justifies it. The cost of operations may be affected favorably or adversely by employee attitude. Also, service that is dependable by our standards and acceptable to the customer may be maintained at such a level if employee relations are good. If they are not good, it is reasonable to expect high service standards to suffer. If this happens too often, our tenure is in doubt. In addition to these two points, it is usually recognized that in a utility company customer relations vary according to employee relations. Profuse advertising and well-staffed public relations departments cannot overcome the effect on customer attitude of the wrong kind of employee attitude. Effective and well-prepared advertising may proclaim through newspapers or other advertising media the glories of private enterprise and what the XYZ Company is doing to bring cheaper and better service to the customer and the community, but if the meter readers, cashiers, and other contact employees are not sold on their outfit and don't give a hoot about private enterprise, the advertising has to make its own headway against a powerful countercurrent.

IF employee attitude is the keynote to continued satisfactory operations, through what medium may we influence it? What is the proper approach to keep it on a desired level? What is the relationship, if any, between em-

ployee attitude and successful supervisory training?

But where does the supervisor get the special knowledge that he is supposed to impart? Where does he get this training that qualifies him to be over others? Is he born with it? Perhaps certain ability to influence others is his from birth, but knowledge must be acquired. Ability as a good and forceful leader must be developed.

It may be concluded then with reasonable assurance that customer relations of a public utility are influenced strongly by employee attitude and that, in turn, usually reflects the feeling of the lower level supervisory group. Our approach then seems to be a matter of training for supervisors who, in turn, can influence the employees to be players on the team which will result in better customer relations, more dependable service, and lower cost of operation. It all sounds so simple, but this chain of events is just as interrelated as a row of dominoes standing on end. If the first one is tilted over, the second goes, then the third, and so on until the last falls.

An analysis must begin with the assumption that the attitude of those directing the affairs of a company is right.

In any training program that ensues, a sale will be made, or at least attempted. The company and its integrity, its fairness, its policies, its principles are the bills of goods we are trying to sell to our supervisors. If we as company officials cannot sell our supervisors, we cannot expect them to sell their employees. If what we are trying to sell isn't right, our first job is to get it right.

Let us assume here that what we are



Customer and Employee Relations

" . . . it is usually recognized that in a utility company customer relations vary according to employee relations. Profuse advertising and well-staffed public relations departments cannot overcome the effect on customer attitude of the wrong kind of employee attitude."

trying to sell is right—that our policies, procedures, attitude, etc., are either right or under constant review to make them right.

BEFORE we embark on any recommendations for a program, it might help us to realize better the need for an extensive training program if a few incidents which have actually occurred are related. Those that follow are true cases from a number of companies, and certainly fall in the "What not to do" category:

A customer phoned into the local office of a gas company and reported that her bill was about four times the normal amount, and that she had been smelling gas around her home for some time. She requested the company to send someone out to make an investigation to determine if there was a leak some place. The clerk who answered the phone asked her how long she had been smelling it and she answered two or three weeks. The clerk then dismissed it with, "Let's wait until next month and see if anything happens." The customer knew someone in a supervisory capacity in the company and reported it. A serv-

iceman was dispatched to the customer's home and on investigation discovered a leak of one cubic foot a minute under the customer's house.

A customer came into the local office of a power company to apply for service, offering to make the usual meter deposit. The clerk to whom he talked informed him that the company had no poles, no wire, did not know when they would have any. If the customer wanted to put up the deposit it was all right, but she had no idea when they would ever get any poles or wire. (The statement of no poles or wire being available was incorrect.) The customer departed without putting up a deposit and without the clerk asking the customer's name, address, or phone number so that the company could get in touch with him to let him know when service could be available.

A company was negotiating with an employee committee on wages and working conditions. The demand made by the committee was exorbitant and completely out of reason. The company explained that the demand could not be granted and proceeded to relate some of the problems facing the company, among them taxation, governmental competition, etc. The employee committee leader protested "We don't give a hoot about your problems.

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That's for you to worry about. All we are interested in is what we have asked for. It doesn't make any difference to us whether you have government competition, or whom we work for."

In one locality customers who applied for service were told that the company did not have any transformers, and would not have any until 1948. The customers were told there was no need of bothering the company until that time. (This was not a statement of fact as transformers of the kind needed were available.)

SUCH cases probably happen in many if not most companies. The results are obvious, but the causes may be a little more elusive. Either because the employees involved didn't know, didn't care to know, or were wholly indifferent to the welfare of their company, customer relations suffered and job performance suffered. It may also be added, with reasonable assurance, that in one or two of the cases the company's right and privilege to continue doing business may be headed toward rough seas.

Could different performance have been expected if the supervisors had been selected with care, trained thoroughly so that with confidence they could impart the necessary information as well as attitude to members of their group? Apparently that is true. Some of the supervisors may have found their way into the group responsible for directing and administering the affairs of the company because of mistaken appraisals and opinions of higher supervisors. But the greater majority of them are men who have the requirements necessary to do the job, and have the ability to do whatever is expected of them—if they know what that is.

It has been said often, so often that by now it is actually axiomatic, or may even sound trite, but we must repeat again, that successful supervisory training *must* begin at the top in any company. It must have more than casual support. Remember, employees usually reflect the attitude of lower level supervisors. Too often the lower level supervisors are not informed and kept posted on matters of policy and procedure that they and their employees need to know to get the job done. To put it another way, higher level supervision frequently is not doing its part in cases of that kind to train lower level supervision.

PERHAPS it would be well to give some thought to some of the points that should be carefully considered in developing a plan. These may be helpful:

It should be interesting. Let's remember at all times that we are trying to make a sale. It may be a way of thinking, an idea, or a plan, but in any event a training program is in a sense a sales presentation. Any good salesman knows that a product to be interesting to a prospect must be presented in an appealing and attractive manner. Prepared material goes over better when it is dressed up, illustrated, and presented in such a fashion that the supervisors will want to read it.

Training should be designed so that it will reach all supervisors. If one is left out, that might turn out to be the weak link in the chain.

Care and tact in the planning and presentation of any training program are necessary so that no supervisor will be embarrassed. All of them do not approach a problem with the same degree of educational background, experience, or just plain horse sense. Some of them who are just naturally skeptical will be slightly suspicious and may even

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think that the program has some ulterior motive. The proper planning and presentation require tact and diplomacy.

In the very beginning the participants should be identified as part of the program, with it being handled in such a way that they will take part in it. After all, one objective is to guide their thinking along the right lines, and if they feel that they are in the swim, that they are part of it, this can more readily be done.

Too many generalities and vagaries should be avoided. Material should be specific and couched in language that a fifteen-year old can understand.

A program with the aim of higher level performance should be designed and carried through in such a manner that the participants feel that they are part of their company, and are really on a supervisory level. One criticism directed at companies today is that supervisors do not feel that they are part of the managing force of their company. They too often feel, with tragic effects on their prestige, employee morale, and job performance, that the managing of the company is done by "The Management," and they are just "hired help." They should be made to feel that anyone making a decision affecting their company is part of the management of the company. Little details such as titles or names on doors, desks, and even cards and stationery, in some instances, help to pep up morale along this line.

Included in the specific topics of the training program should be material and discussions to help them understand the scope of their responsibilities. The intentions of most of them are good, but too often the extent of their responsibilities is somewhat hazy in their mind.

Care and caution should be exercised in the selection of instructors or discussion leaders. These are important people in determining the success of any training venture. They should know the company, understand its problems and objectives, be acquainted with the personnel, and be able to apply on the right occasion the fundamental principles of human relationship. They should be from among the highest level supervisors.

IN developing a plan for training supervisors, the schedule should be so devised that it will be continuous, with meetings held at regular intervals. A program designed to cover certain topics and allowed to terminate when they have been covered will, of course, do some good. However, the effects will not be lasting. To get the greatest good, with the benefits cumulative, it must be mapped out to go on and on.

Supervisory training, vital as it is, is not enough by itself. Alone it will weather many a storm, but it is entitled to support. A well-rounded program should include in addition to supervisory training:

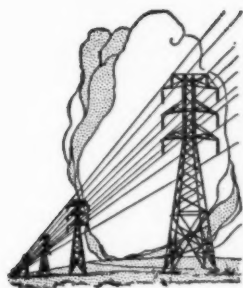
1. Executive or administrative training.

2. Employee training. This should embrace proper indoctrination with continuous employee information activities.

Supervisory training is not a vogue; it offers the solution to a multitude of problems. If we don't have it, we should; if we do, we should constantly review it to keep it from going stale.

Q "A PROVISION restricting new wage demands for a specified period is a logical feature in every contract. Without such a provision, collective bargaining fails to promote the stability of labor relations which has been held up as its greatest economic contribution."

—EDITORIAL STATEMENT,
The Journal of Commerce.



Pigeons on the Wires

Control of flocks of wild birds that can cause power failure, a real problem in Los Angeles.

By KITTE TURMELL*

WILD pigeon hunting within Los Angeles city limits, as paid municipal work, is the unique occupation created by the Los Angeles Department of Water and Power.

The objective of the pigeon-control program is to dispense with the large flocks of ownerless pigeons that can cause power failures by creating short circuits when they perch on electric lines.

This is a one-man, full-time job, in which the pigeon-control chief's aim, to keep wild pigeons from interrupting municipal power, seldom misses. Annually he removes 10,000 pigeons from the harm's way of power lines. Since the start of this extraordinary occupation, in 1937, more than 75,000 pigeons have been disposed of—mainly by trapping and when necessary by shooting with painless precision.

To evaluate that world record, you can estimate that a short circuit which could have been caused by any of those

pigeons would have cost from \$300 to \$3,000 to repair.

One small flock of birds can throw out the entire power system in a sizable area.

Intangible costs, in interruption of electrical service, can't be computed, but don't underguess them, municipal authorities point out. A black-out of power can affect every organization, building, and individual in the affected area. When the power goes off, the man at the industrial machine is idle; the sick room electrical pad and the baby's electrical bottle warmer chill; the housewife's cake collapses in the oven; frozen foods in the refrigerator thaw; the man painting his fence or car with an electrical spray gun is stymied.

Loss to industry, through outage of the entire system, it is estimated, would be some \$300,000 per hour.

THE importance of continuous power prompted the Los Angeles plan—the only one of its kind in any large city—that is ingenious solution for a

* Professional writer, Sherman Oaks, California.

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problem that perplexes most power companies.

The Los Angeles pigeon-control program dates back to 1932 and surveys show the amazing extent of damage done by wild pigeons who short-circuited electrical lines.

The municipal power company pioneered the city ordinance that requires the cooping of all privately owned pigeons to assure protection of pets, as preface for the program that created the paid job of "pigeon controller," in 1932.

The present incumbent was chosen for his hunting prowess as a sharpshooter and trapper. He starts out tri-weekly to cover his route—6,200 miles of power lines in the Los Angeles area.

His equipment includes a truck stocked like a Rube Goldberg contraption—but all its equipment is practical, purposeful. He carries ladders, coops, "kite sticks" for removing bodies from roofs, shotgun, rifle, and traps. He keeps 22 traps set at trouble spots along the line.

The results of his "trouble shooting" go to six local charity organizations as food. Whenever he happens across the Chinese pigeon—a prized game bird

often mistaken for a dove—he delivers it alive to the Fish and Game Commission for stocking its preserves.

ONE pigeons or pairs or small groups are passed up. Concentration is on the real trouble makers—the flocks of hundreds of wild pigeons that like to congregate on a cable that can sag plenty when weighed down with many birds that weigh over a pound each. Control and dispersal of these colonies is the primary purpose of this carefully controlled pigeon control.

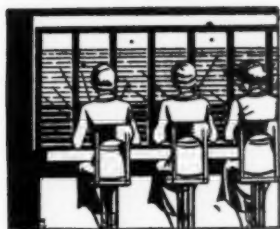
This service, considered humane and essential for public welfare, has the unqualified approval of the SPCA, the Audubon Society, the chamber of commerce, police, community organizations, leaders, and all thinking individuals—once the individuals understand the thoughtful, powerful purpose of wild pigeon control, to keep municipal power flowing.

This municipal utility is frequently asked by churches, banks, and owners of other large buildings to disperse flocks which have formed on their premises and have become nuisances. If the location is near overhead power lines, the department is interested.

Industry Benefits from Strict Cost Accounting

"... we have direct information on this from financial houses, financial papers in New York, and elsewhere—the reclassification of the accounts of our electric utility industry on an original cost basis is proving of great assistance to the financial world in connection with its underwriting of utility securities. As a matter of fact... we have compiled for the period from 1937 to 1944 the statistics of the electric industry from those figures, and it shows a great strengthening of the industry financially because of this reclassification of accounts with all inflation removed."

—LELAND OLDS,
Member, Federal Power Commission.



Telephone Pests I Have Known

Now that the government has decided to let the telephone industry wrestle unaided with the telephone shortage, Mr. Little brings forth a few amusing suggestions for "kidnapping" telephones away from certain "pests" and making them available, as he says, to "honest and reasonably sober citizens and taxpayers."

By HERB LITTLE*

LIKE the Lord High Executioner in *The Mikado*, I have a "special secret list" of persons or types of persons "who never would be missed" from the telephone directory. They are the telephone pests I have known. Maybe you know some of them too. Not being a lawyer, I don't know whether the telephone company can legally take service away from these people. But, if anything can be done along this line, the company can count on me, and thousands like me, for support. Tear their telephones out by the roots, I say.

For what they are worth, here are my personal half-dozen nominations:

THE *Worthy Cause*. That dear old doddering dowager, Mrs. Uttermost Farthing of Eathingam-on-Rye, is at it again. She is tying up miles of line and acres of switchboard by con-

duction of a one-woman Gallup poll on behalf of her favorite charity. Her favorite charity this year is just about as repulsive as it was in former years, to wit: For Research on Better Singing Commercials. Hence, her success in raising about \$1.65 at the end of 100 calls is amazing. But the old girl enjoys her work. She always tries to plan her calls so as to interrupt you in the middle of an important conference (or even more important steak dinner). She always gets through the PBX switchboard operator by pulling snob-rank stuff: "Important? My deah, of course it's important! This is MRS. UTTERMOST FARTHING!" I have heard irate citizens suggest everything from the firing squad, to a life sentence of listening twenty-four hours a day to all-girl trios singing soap ads. But my plan is simpler. Take the telephone away from her and give her a dummy to play with. She'd be just as happy.

* Professional writer of humorous articles, Chicago.

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You *Have Been Elected!* The police pinch poor peddlers who try to hawk their gimcracks on the sidewalk. You cannot even sell peanuts within a city block of the White House without having the Secret Service whisk you away to the Bastille. But nobody seems to care about those Wisenheimers who do their business right out in the middle of the highways of communication—via the telephone. I don't mean legitimate telephone business calls. I mean those stock salesmen, real estate operators, and even hot jewel fences who try to unload their stuff on the unsuspecting telephone subscriber. You can always spot them from bona fide business calls by the opening gambit. This is generally to the effect that you've won something at a raffle. Or you have been elected to something. Or you have been highly and confidentially recommended by some vague friend as being supremely fitted to enjoy the blessing, or opportunity of a lifetime, which your caller is prepared to bestow upon you. When the silky voice tells me, for example; "Mr. Little, you have been especially recommended . . ." right off, I know it's a phony. As a humble realist, I know that none of my friends would ever voluntarily recommend me for anything except maybe a haircut or something like that. I always use the coöperative approach. I tell the party that I'd be delighted to consider his proposition just as soon as I complete a short prison sentence which the court insists should begin the next day. That usually gets me a chilly fast fade. But what is such a character doing with a telephone in the first place?

THEN, of course, there's Love. As a fellow who has fallen himself,

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once upon a time, for the oldest dodge in the world, I have no quarrel with the Cosmic Urge. I do not even object to a little public lollygagging of a warm evening in the park or maybe just parking. But I cannot understand this New Generation. These youngsters seem to prefer to do more billing and cooing over the telephone (preferably busy public pay stations) than they do when they actually see each other. Why don't they get together and tackle their romantic problems firsthand, like their fathers and grandfathers before them? Where would the country be today if our ancestors got more of a thrill out of tickling Alexander Graham Bell's whiskers than from good old-fashioned *vis-à-vis* courting? Another thing—if the stuff these hepcats prattle over the wires were deathless prose—stuff like Robert Browning used to whisper into the pretty ears of Elizabeth Barrett; or even ordinary Grade B balcony orations—I could see some sense to it. After all, Shakespeare wrote a pretty successful Romeo and Juliet number which went into the final act without a clinch—showing what can be done with self-restraint and lots of poetry. But these telephone Romeos are nothing like that. Recently, I was compelled to listen to one end of a collegiate long-distance marathon and all I could hear was "Oh Yeah!" "But Natch." "You could play in the Nose Bowl." "But Def." Isn't there some way the telephone company could rig up a simple 5-minute time-limit device with a sturdy guillotine attachment for these talkative lovebirds?

CALL Operator 18. No matter how long I live, nor how famous (ahem!) I become, I will never cease



Is Lucy There?

I HAVEN'T had my present home telephone number very long, and I don't know who had it before me. But I suspect the worst. Often in the early hours of the morning I am summoned from the arms of Morpheus to hear some fugitive from a lost weekend ask wistfully, with a breath so strong that it seeps right through the telephone transmitter: *'Is Lucy there?'*

to get the same bang out of a personal long-distance call as I did when I was a kid. Then, such an event called for a "grand assembly" at the old party line; and a hog-calling contest by the parties to the call, apparently trying to make themselves understood without the aid of the telephone. To this day, the very sound of the operator's voice saying, "New York calling Mr. Little," sends alternative shivers of joy and fear up and down my spine. It might, I think to myself, be that New York book publisher wanting to accept my latest work of fiction. Or it might be the U. S. Collector of Internal Revenue seeking to reject another one of my briefer works of fiction. But generally I end up talking to somebody like Operator 18. Understand, I like Operator 18. She is a sensible, conscientious girl. We have had serious talks during the times she has tried to get hold of a mysterious Mr. Slob who wants to talk to me for some reason or another. I don't know

Mr. Slob but he must surely be the most absent-minded, scatter-brained zombie since Marie Antoinette lost her head in the basket. He put in this call for me about 10 AM from his downtown New York office of Belch, Slob, Muttering, & Whistle. By the time the call comes through, his secretary says he has just stepped out. She is advised to call Operator 18 when he returns. Operator 18 tells me she'll call back soon. She does—an hour later. Slob's office says he can be reached at the New York Athletic Club. Call Operator 18. Another hour. Slob is next reported to be over at the law library. Another hour. Meanwhile, Operator 18, whose real name must be Agatha Christie, has trailed Slob crosstown to Honest Mike Hennessy's bar. But Slob, the fat head, has just left. Finally, during the evening hours, Operator 18 succeeds in tracking Slob down to his lair—some honkeytonk in Hoboken. Slob gets on the phone and says it's all a mistake. He

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didn't want to talk to me. He wanted to talk to Lou Little, the coach over at Columbia (probably wanted Lou to pound some brains into his head). Something really should be done about it. About the Slobs of this world. I mean those bird-brained characters who have a habit of putting in a dozen or so toll calls to all parts of the country and then wander off aimlessly with a legion of hard-working telephone girls, such as Operator 18, snapping at their heels. Think of all the busy circuits and specialized facilities — "material and personnel," to use the Army brass phrase—tied up by such useless lost motion. Think of all the nervous Nellys, like myself, who are likely to chain themselves to a phone and sit up all night, if necessary, to solve the mystery of the Important Long-distance Call. Fellows such as Slob should be labeled, like lepers of old, and not permitted within ten feet of a telephone without a guardian to snap handcuffs and leg chains on him until his calls are completed. Otherwise he is liable to catch his head in the dial holes.

Is *Lucy There?* I haven't had my present home telephone number very long, and I don't know who had it before me. But I suspect the worst. Often in the early hours of the morning I am summoned from the arms of Morpheus to hear some fugitive from a lost week end ask wistfully, with a breath so strong that it seeps right through the telephone transmitter: "Is Lucy there?" Odd thing about Lucy's callers is that they are all either a bit deaf or feeble-minded. I told one of them firmly that Lucy was not there, did not live there, never stayed there, and that I, personally, had no knowledge or acquaintance

with anybody named Lucy, except an onery old one-eyed mule back on the farm in Indiana and I'm sure he couldn't be calling her—not at such an hour of the night, anyhow. I closed by stating that it must definitely be the wrong number. He thanked me. He was sorry. He was *awfully* sorry. I hung up before he burst into tears. Five minutes later, he was back again: "Ish Lushy there, bud? I wanna talk t' Lushy!" Either Lucy or her former business associates must also have run a book, because a little while ago a peppery male voice called to state "Fourteen, two on 'Old Mobile' has cleared; please call results." I shouted with joy "How marvelous!" I thought he had said "Your new automobile is here; please call Mr. Schultz." When the telephone people get back numbers like this from their disconnects (with, or without, police assistance), why not sterilize them in moth balls or formaldehyde for a year or two before using again?

THE *Quiz Kids Program*. I try to be patient and liberal about modern education. I used to live with certain relatives who had two small boys attending one of those progressive schools where they teach them everything except reading, writing, and decent manners. I know that this involves an important scientific experiment and that I should never speak crossly to the dears lest I frighten them into a lifetime of inhibitions. So, even when they gave me the "hot foot," put glue in my toupee, and started throwing eggs into the electric fan, I managed to smile and say "Boys will be boys! My, my! How ingenuous they are!" But I certainly cannot abide the

TELEPHONE PESTS I HAVE KNOWN

two little monsters when they tie up the family telephone for the entire evening—working out school problems with classmates. I always thought homework was something to be done at home, without outside assistance. But evidently these two (who, I sometimes think, must be studying to be idiots—and finding the course very tough) hardly leave their companions in the street, after school, before they dash to the telephone and call them up in their homes. There follows a lengthy review of the whole curriculum, interlarded with juvenile small talk about gangsters, jet planes, and the wicked old dragoness who teaches seventh grade. Even when the free-shooting western radio programs come on about 5:30 PM, the telephone is not relinquished. They have to play the radio *over the telephone* to their pal, Rat-face Reynolds. When I once tacitly asked why dear little Rat-face didn't listen to the program over his own radio, they both jumped me with defiance. "Rat-face prefers to listen over *our* radio—also, over *our* telephone, you Fascist!" Of course, I still hold to that outmoded heresy of child psychology that there is really nothing wrong with these darling children, which a few good old-fashioned smacks in the pants wouldn't cure. However, their parents sniff and glance at one another pityingly when anything of the sort is suggested. But isn't there some kind of an "antibrat"

clause which the telephone company could incorporate into the service contract? If, as the Ohio Supreme Court recently ruled, it's legally okay for apartment house landlords to pitch tenants out on their ears for merely having children, what's wrong with the telephone company—let us say—attaching an automatic paddling machine which the operator could start working by merely pressing a buzzer? Boy, oh boy, would it be fun *for me* to work *that* gadget!

ADDENDUM: The foregoing is only a partial list of telephone pests. I could also mention briefly the "short-circuit angle caller"—those smart alecks who get through to you on a business call by disguising it as a social or personal matter. Also, the fellow who whistles; the fellow who calls up to tell alleged jokes; the fellow who chews gum, eats sandwiches, yawns, and belches over the phone; the practical jokers with disguised voices; the hook jiggers; the "peek-a-boo" secretary, who insists that you get on the telephone before her great lord and master condescends to talk to you (and no nonsense out of *your* secretary, either!). Then, there is that prime pest of all—the old acquaintance who calls up after all these years and just says: "Guess who?" They are all on my very special secret little list, "They Never Would Be Missed."

"THE government insists that there is no right to strike against it, and by and large labor has recognized that limitation. Yet, if there is no right to strike directly against the government, what right is there to strike against it indirectly by paralyzing a community and thereby reducing or destroying the power of the government to perform its most elementary function—the maintenance of public safety?"

—EDITORIAL STATEMENT,
Cleveland Plain Dealer.



Washington and the Utilities

Committee Assignments

THE Senate very promptly completed its committee organization during the first week of the new session. This despite the complications caused by the new committee setup ordained by the La-Follette-Monroney Act, which shrinks 33 previously standing committees into 15. Needless to say, the problems of re-assigning not only the new Congressmen but all of the incumbents as well, and threshing out the niceties of seniority, caused the respective steering committees a crop of headaches.

Of special interest to public utilities and those concerned with public utility regulation are the following committees, together with their new membership:

Agriculture and Forestry—This committee deals with all REA legislation other than appropriations.

Republicans: Capper, Kansas (chairman); Aiken, Vermont; Bushfield, South Dakota; Wilson, Iowa; Young, North Dakota; Kem, Missouri; Thye, Minnesota.

Democrats: Thomas, Oklahoma; Elender, Louisiana; Lucas, Illinois; Stewart, Tennessee; Hoey, North Carolina; Pepper, Florida.

Appropriations—This committee controls the purse strings not only of all regulatory boards such as the ICC, FPC, FCC, etc., but also must pass on public spending or lending, such as REA loans or dam building by Army Engineers or Reclamation Bureau.

Republicans: Bridges, New Hampshire (chairman); Gurney, South Dakota; Brooks, Illinois; Reed, Kansas; Ball, Minnesota; Ferguson, Michigan; Wherry, Nebraska; Cordon, Oregon; Saltonstall, Massachusetts; Young,

North Dakota; Knowland, California; Dworshak, Idaho.

Democrats: McKellar, Tennessee; Hayden, Arizona; Thomas, Oklahoma; Tydings, Maryland; Russell, Georgia; McFarland, Arizona; Overton, Louisiana; O'Mahoney, Wyoming; Green, Rhode Island.

Interstate and Foreign Commerce—This committee handles all legislation affecting the various regulatory statutes, such as the Federal Power Act, the Federal Communications Act, the Holding Company Act, Natural Gas Act, and so forth.

Republicans: White, Maine (chairman); Tobey, New Hampshire; Reed, Kansas; Brewster, Maine; Hawkes, New Jersey; Moore, Oklahoma; Capehart, Indiana.

Democrats: Johnson, Colorado; Stewart, Tennessee; McFarland, Arizona; Magnusson, Washington; Myers, Pennsylvania; McMahon, Connecticut.

Foreign Relations—This committee is destined to handle at least the preliminary aspect of any St. Lawrence project proposal.

Republicans: Vandenberg, Michigan (chairman); Capper, Kansas; White, Maine; Wiley, Wisconsin; Smith, New Jersey; Hickenlooper, Iowa; Lodge, Jr., Massachusetts.

Democrats: Connelly, Texas; George, Georgia; Wagner, New York; Thomas, Utah; Barkley, Kentucky; Hatch, New Mexico.

Labor and Public Welfare—This committee will handle any antistrike legislation, with or without special public utility features.

Republicans: Taft, Ohio (chairman); Aiken, Vermont; Ball, Minnesota;

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Smith, New Jersey; Morse, Oregon; Donnell, Missouri; Jenner, Indiana; Ives, New York.

Democrats: Thomas, Utah; Murray, Montana; Pepper, Florida; Ellender, Louisiana; Hill, Alabama.

Public Lands—This committee handles irrigation, reclamation, flood control, public power, etc.

Republicans: Butler, Nebraska (chairman); Millikin, Colorado; Robertson, Wyoming; Cordon, Oregon; Dworshak, Idaho; Ecton, Montana; Malone, Nevada; Watkins, Utah.

Democrats: Hatch, New Mexico; O'Mahoney, Wyoming; Murray, Montana; Downey, California; McFarland, Arizona.

THE minority assignments to the important and key committee of Foreign Relations caused some back-stage bickering. Senators Pepper and Murray, who had some seniority on the old Foreign Relations Committee, finally decided to go elsewhere after some discussion in party caucus. This change, incidentally, did not brighten the chances of a revival of the St. Lawrence seaway proposal since both Pepper and Murray are ardent champions. As presently constituted, the lineup of the Foreign Relations Committee looks somewhat unfavorable to the St. Lawrence plan.

The cause of expanded public power likewise was not enhanced by the assignment of new Republican members to the Public Lands Committee. Senator Dworshak, who was noted, during his four terms in the House, for his critical attitude toward any overambitious planning or spending by the Interior Department, has not only been assigned to the Public Lands Committee but also to the Appropriations Committee, where he can do double duty, if he desires, in curbing any extravagance which he suspects.

Senator Ecton of Montana is another freshman Senator who campaigned—or perhaps was forced by circumstances into campaigning—against the proposed Missouri Valley Authority. This was simply because his Democratic opponent was

Judge Leif Erickson, head of the Missouri Valley Authority League.

The House committee assignments were going more slowly because of the necessity for allocating such a large number of freshman Representatives to the new combined committee posts.

Congressional Bean Soup

IF Congress seems to be a little slow getting its organization fully settled, perhaps it can be traced to the excellence of the House and Senate restaurant cuisines which lure the lawmakers into slipping out of the chamber or their offices for a snack at all sorts of odd hours and intervals.

Senator Pepper, Florida Democrat, has come up with a reform proposal that the Senate cease its traditional practice of meeting at 12 o'clock noon and meet instead at 10 o'clock in the morning, knocking off for an hour's lunch just like anybody else. Pepper points out that, under the present practice, the members, who have probably worked hard at committee sessions all morning, have to sneak out sometime after the chaplain's opening prayer and sandwich in a sandwich between roll calls. The Florida Senator says this is not only hard on the congressional digestion, but it can be embarrassing. Constituents in the galleries will note the unexplained absence of their local statesmen and may jump to the unfair conclusion that they are off somewhere loafing or playing hooky.

Perhaps one explanation for the frequent congressional visits to the Capitol restaurants might lie in the superb quality of their traditional specialty dish—bean soup. Almost as binding as any statute which Congress ever passed, is the time-honored rule that this brave dish, concocted by a secret recipe which goes back to the days of the first Cleveland administration (some even trace it to Senator Randolph of Virginia), shall always be available for the members in fresh and ample quantities at all hours of the day or night when either chamber is in session.

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THE point of this story is the rumor going around Washington that a minority Senator from a western state lost out on a very much desired committee assignment because he was unavailable for discussion at a strategic time during a conference of minority leaders. He later confessed that he was busy, at the time, sampling the excellence of the traditional bean soup.

The committee in question was the Public Lands Committee which handles legislation affecting Interior Department's Reclamation Bureau irrigation, flood control, public power policy, and so forth. The Senator in question is known on past performance to be a good friend of the administration's public power policy. And so, if the Interior Department should have legislative troubles in that committee, involving setbacks by a single vote, it may be able to blame it on the bean soup. Incidentally, Interior Department had no soup of any sort or anything else to eat for the lunches of government officials and workers during early January—cafeteria workers were out on strike.

Surplus Property Opportunities

UTILITIES hoping to get rolling on their postwar construction programs may find some useful supply items, now in short supply, available to them at former Army and Navy posts, camps, stations, and war plants which are soon to be declared surplus. The War Assets Administration estimates that nearly two billion dollars worth of utility equipment is contained in the wartime installations throughout the country, but mostly in the South and Southwest. Electric, water, and gas equipment is included, and the matériel ranges from good-sized transformers and generators to sewer pipe.

Confronted with a tremendous assessment problem in trying to sell the camps and the facilities in them, WAA is anxious to have local utilities join their re-

gional representatives in "preappraisal inspections," to determine how best to "package" the saleable items. They would like help to get some idea of which facilities could be sold in place for use in local industry or agriculture. This preappraisal inspection, say WAA heads, would actually give local utilities an opportunity to obtain needed supplies or installations in carrying on their expansion programs.

The property will be sold by two methods: "on site" for use in its present location, and "off site," to be dismantled and hauled away at the buyer's expense. Because of the transportation cost, "off-site" sales are likely to be made at very low figures. In view of the expected continuing shortage over 1947 of such items as pole-line hardware and distribution transformers, bidding for some material may be spirited. The property will be sold without strings, subject only to the provision that it be placed in use within ninety days of sale. Temporary leases may be obtained to operate the "in-place" facilities while sales are pending. WAA is asking utility companies to indicate their interest in any specific facility, and the agency will attempt to sell property in the order of its desirability.

Private utilities will be on equal footing with REA coöperatives in bidding for the facilities. Federal, state, and municipal priorities, however, will precede open bidding. The Interior Department so far has indicated little interest in the properties, but is expected to exercise its option when facilities are about ready for sale. Small businesses get next priority after governmental authorities. Despite the death of Smaller War Plants Corporation on December 31, 1946, RFC loans to small business can still be made, according to interpretation of the Attorney General.

Bidders for surplus property are no longer required to specify that equipment will go into the national housing program, but merely must indicate it will be channeled into housing wherever possible.

Exchange Calls And Gossip

Public Ownership Proposed For Western Union

ACTIVITY around and within the Federal Communications Commission highlighted the telephone and telegraph picture in Washington during the past fortnight. Leading off was FCC Commissioner Clifford Durr's criticism of Western Union "inefficiencies." Durr advocated the disposal of Western Union now, and had three possible solutions for the disposal—operation via government subsidy, merging the company with the American Telephone and Telegraph Company, or turning it over to the Post Office Department for operation.

Despite the chilly reception that Durr's suggestion received from his fellow commissioners, Congress, and the telephone industry at large, Durr reiterated his views a few days later for the press.

Durr's point is that the company's "inefficiency" is really a violation of the Communications Act, because it is supposed to have a "mandate" to make available "nation-wide" service at reasonable rates. He asserts that, since the merger of Postal Telegraph and Western Union, service has gradually deteriorated, offices are closed for long periods each day, and many branch offices have been permanently shuttered. Three times, Durr states, telegraph rates have been increased, solely because of the financial need of the company, and with no regard to the reasonableness of the higher rates.

Many industry people in the related communications field agree there is some merit in Durr's analysis of company ills. But they differ with him on the solution

to the problem. There seems little immediate possibility of public ownership or nationalization of the telegraph business.

Few officials will venture to be forthright in prescribing the alternative remedy that may eventually be administered—absorption by the telephone industry. Congress may frown on that idea, too, at least for the present.

Publication of the presidential budget revealed FCC's plan to initiate a full-scale investigation of the telegraph industry. An allotment of \$375,000 was asked to conduct the probe, but Representative Taber (Republican from New York), chairman of the House Appropriations Committee, has already voiced his disapproval of the FCC budget request. FCC has asked for \$6,875,000, an increase of \$1,315,000 over this fiscal year.

While he did not refer specifically to the Western Union investigation, Taber declared that the FCC request was far too high, and must be cut. Other majority members of influential House committees were more specific, saying that they believed the telegraph probe by FCC was unnecessary. They neither confirmed nor denied the possibility of such an investigation being undertaken by a congressional committee. Some rumors of another general inquiry into FCC's operation are still afloat, and the telegraph situation might well provide a starting point for it.

In the meantime, FCC will study, on a limited scale, the curtailment of Western Union service, and will try to set new standards for any future cuts in the number of telegraph agencies.



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FCC Vacancy Draws GOP Attention

ANOTHER topic frequently buzzed around FCC is the question of filling the vacant commission chair now definitely forsaken by Paul Porter. Miss Marion Martin, formerly assistant chairman of the Republican National Committee, supposedly had the inside track to the vacancy, by reason of intercession in her behalf at the White House by Senator Wallace White, new chairman of the Senate Interstate and Foreign Commerce Committee. The President can legally appoint either a Republican or Democrat to the commission, since neither party is represented by four members thereon, the limit under the Communications Act. But the congressional majority has already indicated dissatisfaction with the unequal ratio of Republicans to Democrats on quasi judicial commissions and the Federal bench.

A presidential nomination to FCC of a staunch administration supporter might have difficulty getting Senate confirmation. Consequently, it is more likely that another White House appeasement move is in order. President Truman has already shuffled his agency chairmen around to present a less vulnerable front to a potentially hostile Congress. The FCC appointment gives him an opportunity to quiet some ominous growls now emanating from the Capitol by sending to the Senate the name of Miss Martin or some other GOP stalwart.

No Slash in Excise Taxes Expected in Congress

CAPITOL Hill is now likely to look with favor on President Truman's state of the Union suggestion that excise taxes, including telephone and telegraph levies, should be continued for the rest of 1947. They are now set to expire on July 1, 1947, just six months from the date of termination of hostilities. Telephone people are counting on the end of this tax to soften the blow to the cus-

tomers of rate increases now pending before many state commissions. Western Union also is looking hopefully to the end of the wartime tax to make its service more attractive to the public, especially in view of the latest 10 per cent increase already discussed.

However, some Congressmen are talking about not even waiting the six months out, and will push for an immediate end to these excises. They say that on luxury items like furs, the public won't buy now, but will just postpone purchases until the tax is off, causing a mild recession of a sort. At first, it was believed likely that the congressional majority would go along with this line of thought, but in a sudden form reversal, the House Ways and Means Committee decided to extend the excise rates to set business uncertainty at rest. The whole question of excises will be gone into very thoroughly when the big tax bill comes up in March, and some adjustment of the 15 per cent monthly telephone exchange bill tax, and the 25 per cent long-distance tax, will then be considered.

Another congressional issue that may get some attention, but not much, is possible extension of Rural Electrification Administration authority to permit loans for farm telephone systems. Senator Hill (Democrat, Alabama) has again introduced his bill legalizing REA telephone loans and granting the agency \$50,000,000 in lending funds. Most observers don't think this bill will get any farther than it did last term. As a matter of fact, some think that REA won't get much more money than that for its current electric operations.

The addition of \$250,000,000 to estimated expenditures of the Rural Electrification Administration in the new 1948 budget almost immediately drew fire from House Appropriations Committee Chairman Taber, who said it looked like a mistake to him. None of REA's lending funds can be spent for telephone work, under statutory provisions of the original REA Act. Nevertheless, REA

EXCHANGE CALLS AND GOSSIP

engineers continue to keep in touch with all phases of rural telephone experiments, such as "carrier" phones, joint-use-of-pole techniques, and the like.

Mobile Service Meeting Due at FCC This Spring

FCC plans to hold a meeting early this year to find out just what the situation is in 2-way mobile telephone service experiments. After a year and a half of issuing temporary licenses and encouraging wide application of the mobile medium to all types of businesses, the agency thinks it is time to take stock of the possibilities presented. Agency spokesmen honestly admit it is too early to have a comprehensive picture of costs and related testing data, but they'd like to know what's been found so far. Also, they hope to stir up interest in new uses for the service. They point out that they won't feel justified in setting up permanent channels and licensing the service for long terms until every possible angle has been explored.

So far only taxi companies feel economically sound about the value of mobile service. It is getting to be accepted that, unless there is a high volume of messages using the channels, it is rather expensive to buy and operate your own transmitter and mobile units. Trucks and busses have not been in any hurry to do their own transmitting, and so the stage is set for telephone companies to offer the service on a rental basis. This they are eager to do, when equipment becomes more easily available.

There is a trial telegraph service now in operation in Baltimore, Maryland, receiving facsimile messages in a moving truck, and delivering them direct to customers. FCC has dozens of other ideas it wants to have tried out, such as pick-up merchandise service for department stores, railway express deliveries, doctors' call service, ready-mix concrete, and other industrial services. In most of these cases, message volume would be small enough to permit telephone com-

panies to use the same channel for two or three services, prorating the costs among them, and acting as a transmitting clearing house for all.

Out of the welter of speculation now floating about regarding mobile service, two rather well-established facts are due to emerge from the spring meeting. One is that the present allocation of 64 frequencies in two different bands on the spectrum is wholly inadequate for regular service. Another is that telephone companies loom as the largest permanent users of the service, with cab companies second in number of operating frequencies.

And, of course, there will be the over-all general feeling that more time will be needed for wider experimentation and availability of equipment.

Rate Rise Requests Slacken Across the Country

APPLICATIONS for increases in telephone rates, filed with various state commissions from New Jersey to the Pacific coast, tapered off during the past few weeks. The New Jersey Bell Telephone Company asked for increases that would total nearly 12 per cent of gross revenue, or \$10,700,000 each year. It was the first general rate boost sought by the company in twenty-one years. While it calls for higher rates to business and residential customers and some increase in tolls, the request also intends to eliminate some existing toll charges within the state in localities now considered as one community area. Hearings on the rate request will be held February 10th.

Indiana Bell Telephone Company asked for an unspecified increase in rates in 82 cities and towns. The net rate hike was expected to average 10 per cent. At the same time Indiana Bell announced a \$50,000,000 expansion program designed to replace much of its manual service with dials. The company also announced that, although it had installed 100,000 instruments during 1946, it had

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reduced its waiting list by only 7,000.

Southern Bell Telephone & Telegraph Company was mum on whether rates in Alabama would rise or fall during 1947. A company spokesman commented that earnings were at an alarmingly low rate, but would go no further. The company boldly announced that it planned to fill all applications for telephone service in Alabama during the coming year. Waiting lists number about 45,000 in the state. In Kentucky, rate increases from 25 cents to \$1.50 monthly went into effect on January 11th, subject to final approval by the state public service commission. Southern Bell posted a half-million dollar bond to cover any refunds that might be required later if the commission finds the rates excessive. In Iowa, Northern Bell inaugurated new rate schedules for 96 towns, which will increase company revenues by 14 per cent. In Wisconsin, the state public service commission is studying the Wisconsin Telephone Company's request for a 25 per cent increase, grossing about \$7,000,000 annually.

Meanwhile, hearings before state commissions in Idaho and New Hampshire considered rate applications of other Bell companies. In South Dakota, Northwestern Bell was granted exchange and service rate boosts aggregating about \$406,000 yearly. The commission found that the company's 1945 rate of return was .99 per cent, with 1946 showing a deficit.

The new rates will permit a return of better than 3 per cent, according to the commission.

Outlay of \$65,000,000 for expansion over the next two years was planned by the Bell Telephone Company of Pennsylvania, while no rate increase has been contemplated at this time. The 2-year program actually is a compression of an earlier plan which would have consumed three years in making the particular improvements.

The independent Upstate Telephone Corporation recently obtained state public service commission approval for a \$2,500,000 improvement program in northeastern New York.

JAN. 30, 1947

"Wired Radio" Experiments OK'd by FCC

FCC recently granted a temporary experimental license for trial broadcasts using local electric power lines to Herbert L. Spencer, of Baltimore, Maryland.

The relatively unexplored medium of "wired radio," which transmits radio waves over wire lines, will get new attention through Mr. Spencer's experiments. The signals, transmitted at the low power of 10 watts, do not interfere with regular radio reception, since they are confined primarily to the immediate vicinity of the power lines.

Wired radio is now being used successfully for the so-called "campus network," where educational institutions have set up small transmitters and "broadcast" to the dormitories and classrooms within the college grounds. There are now about 50 of these campus stations on the air, and they have worked so well that no FCC regulation has been necessary. Mr. Spencer's tests are the first to attempt to determine the practicability of the method for small-town stations. FCC made it clear that this permit was for experimentation only, with no assurance that a permanent license would be granted later.

Phone Equipment Workers Seek Portal Pay

A SUIT for \$25,000,000 in back pay under portal-to-portal claims will be filed by Western Electric Employees Union against the Western Electric Company. The suit covers time spent within factory gates by about 48,000 of the firm's present and former employees, and claims recompense from 1940 to date.

So far, portal-to-portal suits have hit equipment manufacturers harder than any other branch of the telephone industry. The WEEU, pressing the portal suit in New York Federal court, is one of the largest affiliates of the National Federation of Telephone Workers.

Financial News and Comment

By OWEN ELY



Utility Analyses by Wall Street Firms

IRA HAUPT & Co. has prepared a memorandum on *North West Utilities Company*. The company is a subholding company in the Middle West system, controlling only its Wisconsin operating subsidiary. The firm estimates the value of the common stock of Wisconsin at about \$23,000,000, which would be sufficient to pay off the publicly held prior preferred and second preferred stocks of North West at par and arrears, leaving about \$11,500,000 for Middle West Corporation. While this amount would fall nearly \$1,000,000 short of cost plus arrears for Middle West's holdings of preferred stocks, it is considered (in this analysis) ample to satisfy the parent company's claims.

The 7 per cent prior lien preferred at the end of 1946 carried arrears of \$103.25, the 7 per cent second preferred \$104.13, and the \$6 second preferred \$89.25. Middle West owns about 60 per cent of the \$7 prior lien, 36 per cent of the \$7 second preferred, and all of the \$6 second preferred. Middle West's holdings were acquired at an average cost of about 74, it is indicated, so that on this basis the company's claim would be approximately \$5,361,000, together with arrears of \$7,098,000, or a total of \$12,459,000.

Laidlaw & Co. has issued a memorandum on *Columbia Gas & Electric*, reaching the conclusion that the "stronger capitalization lessens market risks while the favorable earnings trend improves yield and appreciation possibilities over the longer term." The firm points out that a quasi investment status has been

developed for the company's common stock "the hard way"—by retention of earnings, tightening up of accounting policies, bond refunding, and retirement of preferred stock. As a result, the ratio of Columbia's common stock equity to total capitalization has increased from 32 per cent to 64 per cent (*pro forma* basis). In the operating picture, the management has supplemented diminishing Appalachian gas reserves by long-term contracts with pipe lines bringing gas from the midcontinent and Gulf coast fields, restoring available reserves to an estimated 25-year operations' basis; and access to more reserves can be readily obtained. Thus the company is in a flexible position with respect to new developments in gas. Moreover, the company has a heavy expansion budget for 1946-48. The firm believes that, with this expansion program, the estimated 1946 earnings of \$1.25 may be substantially exceeded over the next two or three years, with resulting higher dividends.

GERSTLEY, SUNSTEIN & Co. of Philadelphia has prepared an analysis of North American Light & Power Company. Possible offering of a "package" of 3-3½ shares of Kansas Power & Light common and 1½ shares of Northern Natural Gas common for each share of North American Light & Power preferred is discussed. The Northern Natural Gas would be worth about \$87 (per share of Light & Power preferred) and at an estimated price of 30 the Kansas stock would be worth \$90-\$100, which together with the other stock would about equal preferred claim of par and arrears. The value of the company's total portfolio is estimated at \$80,564,454. The

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firm concludes that, with no subordination of the North American interest, liquidating value for the common stock would be around \$5; but, if the above-described method is used to retire the preferred stock, and North American Company is limited to the recovery of its total cost of NAL&P holdings (understood to be \$28,494,602), liquidating value might be as high as \$28. Since the above study was issued, North American Company has made an offer of \$187 cash to the publicly held preferred stock and \$7.50 a share to the common stockholders.

Shearson, Hammill & Co. has issued a research bulletin on Illinois Power Company. The firm believes that the utility company will carry out its previous program for a new issue of preferred stock, which would force conversion of the outstanding issue into common stock. With this dilution, earnings (about \$5,000,000) would amount to about \$2.62 a share and dividends of about \$2 a share could conservatively be paid. Dividend arrears certificates will of course be paid off with the cash to be received from North American Light & Power. (Two payments, \$4 and \$1.50, have been declared since November 1st.) With the preferred stock retired, capital structure would be 51 per cent debt and 49 per cent common stock equity. This would permit any necessary adjustment in plant account to original cost, and earnings should be within the limits of a fair rate of return. The firm thinks that, with a \$2 dividend, the stock might sell around 40 to yield about 5 per cent (price-earnings ratio of 15).

TVA Earnings

THE perennial debate over government power is reflected in recent comments on the Tennessee Valley Authority report for the fiscal year 1946. According to the report (exhibit I, page 88) net income from power operations from 1933 to date has amounted to \$71,318,298, including \$16,213,724 for the 1946 fiscal year. It is interesting to note

that, like some of the private utility companies, TVA has charged off (for the period 1933-45) \$6,000,000 "additional amortization of electric plant acquisition adjustments." Depreciation is on a straight-line basis, but the depreciation reserves aggregating \$82,970,519 amount to only a little over 10 per cent of total fixed assets, which is considerably lower than the average reserve for private electric utilities.

Exhibit II, page 92, presents an income statement for power operations showing revenues of \$35,264,545, operating expenses of \$18,481,545, interest of \$569,276, and net income of \$16,213,724. Expenses include "payment in lieu of taxes as required by § 13 of the TVA Act" amounting to \$1,992,256; this was equivalent to less than 6 per cent of revenues compared with an average of nearly 4 times as much paid by private utilities. The provision for depreciation and amortization—\$8,605,731—is, however, considerably higher in relation to revenues than for the average private utility; the total for maintenance, amortization, and depreciation, approximately \$10,730,000, is about 30 per cent of revenues.

In its publication "Data of Interest to the Electric Light and Power Industry" the Edison Electric Institute recently pointed out that TVA's "paper profit" of \$16,214,000 from electric operations was largely used to make up deficits from other operations (navigation, flood control, and chemicals), plus nearly \$6,000,000 of expenses for general development work (farming, forests, minerals, sanitation, recreation, etc.), so that the net result was a profit of only \$4,839,000.

BUT this was before consideration of any interest on the money borrowed through the U. S. Treasury for the enterprise as a whole. According to the TVA balance sheet these funds aggregate about \$763,000,000 (total of funded debt, funds appropriated, and transfers of property from the War Department) and this figure checks quite closely with the item reported by the Secretary of the Treasury as the "proprietary interest of the U. S." in the TVA. Taking the average interest

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rate for the U. S. debt of 1.936 per cent in 1945, total interest costs on the TVA investment would have approximated \$12,920,000.

Moreover, according to the EEI analysis, production expense (including depreciation and a proportionate share of administrative and general expenses) is assigned about 59 per cent to "power" and 41 per cent to "navigation and flood control." Thus, on an over-all basis the institute estimates that in 1946 the TVA program cost the Federal government over \$8,000,000, continuing the series of annual deficits since 1934 which now aggregate nearly \$95,000,000. And "even this," adds the institute, "does not include the charges which the taxpayers are carrying on the original Muscle Shoals power plants, inherited by the TVA from the War Department." (These plants were built around World War I.)

Controller Sunstrom of TVA has charged the EEI statisticians with using "trick" calculations in arriving at a deficit of over \$8,000,000 for 1946, and claimed that by a similar method a municipally owned power operation anywhere could be thrown into the red by simply charging against it as operating expenses the cost of city police and fire protection, schools, health department, etc.

BOTH the authority and the institute make somewhat debatable claims. But by all the usual definitions of "net income," this item should certainly be calculated after interest costs on funds borrowed. It is questionable for the authority to state that "net income" on power operations was over \$16,000,000. The fact that the government does not bother to charge TVA any interest on the huge funds donated or loaned to it should be clearly explained. The phrase "net income" here corresponds to what is usually called "net operating income"—income from operations before fixed charges.

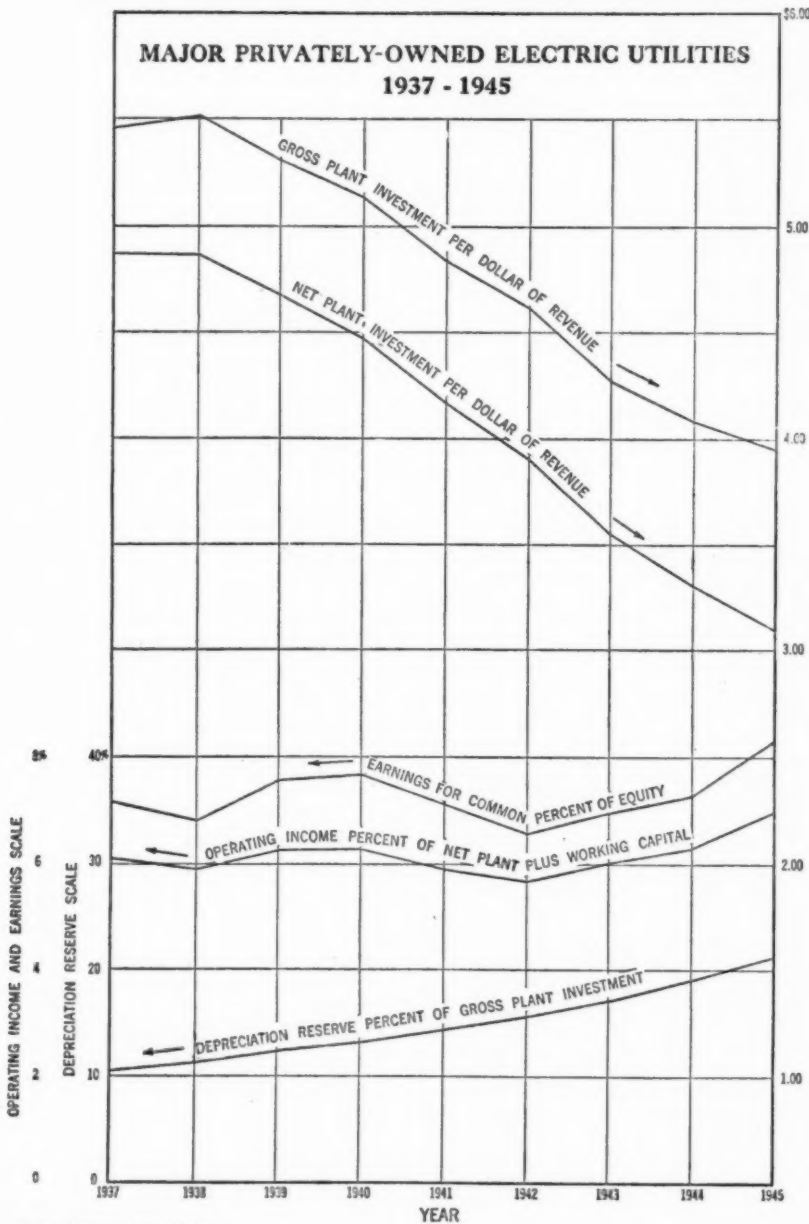
The question of allocation of expenses to power, navigation, and flood control (raised by the institute) is a technical issue. The dams have been constructed

as a "multipurpose" development, and their operation may be more costly than if they had been built for power purposes only. Nevertheless the 41 per cent allocation to navigation and flood control seems high. Some of the interest cost should doubtless be assigned to purposes other than power production. Also the expenditures for the fertilizer plant and other development work should not logically be deducted from net operating profits from electricity.

TVA'S controller is quoted as saying that the power operations are "paying their own way" even at rates which are about half those paid outside the Tennessee valley. He estimated that the net income of \$16,214,000 represents a return of more than 4 per cent on the net average investment in TVA power facilities. But, in making any rate comparison with private utilities, a fair comparison would seem to require adjustment for the following factors: (1) the much higher taxes which private utilities must pay (compared with the amount allocated in lieu of taxes by TVA); (2) the question as to what the dams would have cost private utilities to construct on a single-purpose basis; and (3) whether the allocation of expenses is justified.

Moreover, the 4 per cent return on investment would be insufficient for a private utility, which has to bear the normal risks of the business and is expected to finance with bonds, preferred stock, and common stock. Private utility rates must be geared to the "fair return" of 6 per cent or more which is allowed by state commissions on net plant investment. TVA's big advantage on tax deductions and its return of only 4 per cent could well account for its lower rates—regardless of the question of expense allocations. While the "yardstick" rate is no longer mentioned, the idea lingers on. It does not mislead anybody in the power business. But it probably continues to impress college students, some of their professors, and other readers of TVA propaganda, who are not equipped to analyze the detailed figures properly.

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Federal Power Commission
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What Others Think

Ambitious Electric Campaign to Win Small Town-Rural Market



FROM the headquarters of the National Electrical Manufacturers Association in New York city, there has recently been launched an intensive campaign for greater utilization of electricity in the 14,000,000 homes that make up America's rural-small-town market.

With the slogan "Go All-Electric—the Modern Way," there has been developed a comprehensive program to enlist the active interest of utility executives, REA coöperative managers, wholesalers, manufacturers, and editors.

Initiated and distributed by the National Electrical Manufacturers Association, this program has been developed in close collaboration with the Edison Electric Institute, the trade association of the electric power companies of the country, and with officials and field personnel of the Rural Electrification Administration.

The 32-page plan book, explaining the campaign, first reviews the great market "beyond the gas mains" of our large cities, states the current competitive situation and the need for action, and then presents a program and the promotional pieces to put the campaign into effect at local levels. The announcement states that

... Unusual in a book of this type, many pages are devoted to presenting suggestions, ideas, and detailed procedure on such matters as setting up a rural department, securing distributor coöperation, organizing dealers, ways of genuinely helping dealers, how to put on rural promotions, secure farm paper publicity, and schedule advertising.

Two courses of action are suggested—one, consumer education and, two, sales training. To get the rural public thinking of electricity in terms of scores of applications beyond such elementary uses as lights, radio, the vacuum cleaner, and the food mixer, there is available a set of four handsome 3-color mailing pieces, an equal number of stuffers or counter giveaways, a wide assortment of ready-to-use ad mats in three sizes

for rural newspapers, a powerful indoor poster, 24-sheet paper for outdoor boards, a decalcomania of the "Go All-Electric" seal to identify utilities' offices, REA coöperatives' offices, and wholesalers' and dealers' stores with this program, a series of radio spot announcements, and a sheaf of publicity releases.

ATTENTION is directed to the fact that throughout all of this material are the following three oft-repeated themes:

Only Electricity Can Do All the Jobs
Electricity Can Do All the Jobs Better
Electricity Alone Does the Jobs More Economically

That last theme develops the idea that, just as apples cost less by the bushel than by the dozen, electricity costs less per kilowatt hour as greater utilization is made of it. Also, that as long as a householder is a small user of both electricity and a flame fuel, such as liquid petroleum gas, he pays small-quantity, high-unit prices for each. It is pointed out that, since only electricity can do all the jobs, it is more economical to "Go All-Electric" and thus get into the lower rate brackets for cooking, water heating, and scores of other applications.

Strong emphasis, the announcement states, is placed upon sales training. This market being new to many salesmen, there are made available various sales training helps. It is especially noted:

... Outstanding is a motion picture with sound, "Singing Wires," which is to be used not only with sales groups, but is intended also for showing to granges, 4-H, and future farmer meetings, women's clubs, parent-teacher groups, and county agents, vocational agriculture teachers, and home demonstration agents. A light plot, well handled by professional actors and director, carries the action through electrified and nonelectrified rural homes and sells the advantages of going "All-Electric—the Modern Way."

Long needed by this industry, an "Electric

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Appliance Sales Handbook" is being made available which has been written by the managing editor of a leading trade paper with the help and collaboration of leading manufacturers. It presents the complete selling process in simple terms, is packed with competitive data and valuable statistical tables, and this 200-page manual should receive a warm welcome from all branches of the industry. Also, for use by sales managers, there will be a fully developed, powerful slide film and leader's guide.

In examining the rural-small-town market, the NEMA plan book observes that the current prosperity of America's farmers is well known, and, it is pointed out that this condition applies equally to the 30,000 small communities in which rural families do most of their buying.

It was then noted that

When a farm family gets electric service, it opens up a new world by enabling them to have the same home facilities as urban people—an age-old ambition of these families. The savings of time and labor to the farm woman are of far greater importance than to her city cousin. Her work is harder and she contributes greatly to the farm family income by her work in the garden, the poultry house, and many other tasks.

In the purchase of electrical equipment and load buildings . . . the farm customer is both a "home" customer and an "industrial" customer, with kilowatt-hour consumption far above the national average.

Another feature of this NEMA plan book is the inclusion of an 8-point program under the title "How to Make the Go All-Electric Program GO." Briefly, the suggestions were these:

First . . . a survey of the appliance dealers in one's territory should be made . . . Then a survey of consumers is urged . . .

Second, utilities are asked to establish a rural-small-town department with a responsible executive in charge, a staff of dealer contact men, rural specialists to advise farmers on their electrical needs, an adequate sales promotion and publicity department, and home service personnel versed in farm contacts.

Third, it is felt that the opinion and suggestions of appliance distributors should be obtained at a meeting, with the idea of developing a local rural league or council.

Fourth, dealer meetings should be held to enlist the support of all retail outlets, to present all phases of the local program as the utility may have it planned. Sales training classes must show salesmen the potentials in their own areas, that this is a market with ready acceptance for electric appliances, and why they must carry electric rate schedules and be able to discuss them easily and fluently.

Fifth, the creators of the plan book present a check list of 24 tested ways in which the utility's dealer-contact men, rural specialists, and promotion staff can materially aid dealers . . .

Sixth, it is pointed out, one must carry on a continuing program of "Go All-Electric" promotions, such as supplying instruction material to county agents, assisting extension workers in securing awards for exhibits at fairs, running articles in the house organ for young farmers, and setting up office exhibits such as wiring boards.

Seventh, publicity is discussed and it is urged that the utility's advertising promotion manager cultivate the editors in his area, supply his material in suitable form, and, if possible, arrange a "model farm" as a source for stories and factual electrical equipment data.

Eighth, and last, an aggressive advertising program is discussed in terms of budget, media, dealer coöperation, house organs, decalcomania, and many other phases.

THE NEMA announcement closes with the statement that plans are well developed for active follow-up to the distribution of the plan book, so as to assure utility coöperation and REA coöperatives' participation.

In looking through the 32 pages of this plan book, with its supplemental publicity material—all attractively presented—one is impressed that this campaign for the small town-rural electric market is the result of much study and effort by the several groups who are interested in the progress of the electric industry.

The Education of Employees About Free Enterprise

A SURVEY, based upon questions asked executives of all types and sizes of manufacturing companies, about management's education of employees on

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the many advantages of the American free enterprise system and how it functions has been made recently by *Mill & Factory* magazine. The results of this survey, as reported in the September, 1946, issue of that publication, disclose the following facts:

1. That 52 per cent of the respondents state that their companies are doing nothing to educate employees on the merits and workings of American free enterprise.

2. Of the various methods which companies use to educate their employees, the two most popular are found to be employee publications and group meetings and talks. Both of these methods rate 48 per cent.

3. Employee reaction to companies' educational programs is found favorable by 63 per cent.

4. The majority, 65 per cent, are not planning any further expansion of their educational programs.

While slightly less than half of the replies indicate that educational work is being carried on by various methods, it is known that some companies have long engaged in these activities and have done so with success. One of the country's leading steel companies has informed its shareholders, in a special letter, of the importance of this phase of management's functions, following a policy adopted many years ago.

CHARLES R. HOOK, president of the American Rolling Mill Company, Middletown, Ohio, writing the company's shareholders on October 18, 1946, said:

Your management calls your attention to a condition in our nation which has become a serious, alarming, and growing threat to our American system. We want you to know that we have been doing something about it at ARMCO; we seek your advice and coöperation in charting our future course. As Americans—as well as investors—we cannot afford to overlook any opportunity to protect those institutions which have served our peoples since our nation's founding.

Your management recognizes that it is employed by your board of directors to lead and direct the personnel of your company in such a way that your investment is preserved and its value increased.

Your investment is preserved in two ways:

1. By so operating your properties and directing the commercial and financial policies of the company that profits are created

out of which money can be appropriated by your board for dividends to you and for new equipment to improve old processes or create and establish new methods or products.

2. By being ever on the alert to support constructive state and Federal law or policy that strengthens and preserves private, competitive enterprise. Also, opposing laws or policies that we are convinced take away your property rights and will eventually destroy private, competitive enterprise.

Then, observing that ground, buildings, and equipment are inanimate objects—they have no value except as human beings give them value through their efficient and effective use—Mr. Hook remarked:

... Recognizing this fact, we have always devoted our attention first to men, and then to the tools for their use.

From the very beginning of this company, its top management gave number one attention to the selection of not only its supervisory organization, but of its manual workers as well.

We have said many times that "no great work was ever accomplished without much of coöperation," and that "there can be no real coöperation until there is first confidence built upon a foundation of understanding."

As to those things that "make the clock of business tick," President Hook told the shareholders that for many years the company's top executives have devoted considerable time to the development of programs for enlightening both supervision and worker organization concerning these matters. They were pioneers, he declared, in training programs for management representatives and workers, adding that

... We developed a spirit of confidence and coöperation in our ARMCO organization. This was accomplished by giving all ARMCO people an understanding of our company as a whole. More than that—we explained to ARMCO workers and supervisors the simple, fundamental economics that govern the successful operation of a private enterprise. This principle of informing employees about basic principles of economics, "taking the mystery out of business," we believe is responsible for the fine record of continuous operations our company has had during many critical periods of its existence.

The importance of continuous work

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Courtesy, The (Baltimore) Sun

THE SINGING MOTORMAN TAKES OVER

along these lines was pointed out by Mr. Hook in these words:

To develop an understanding of the things that govern the successful operation of a complicated business such as ours, and to explain what governs the purchasing power of wages, we must carry on an intensive educational program. We cannot slacken our efforts—in our opinion, they must be intensified if we are to overcome the effects of those who are preaching false economic doctrines. Those who spread their false teachings are not interested in preserving private, competitive enterprise; they are bent on its destruction.

Teachers of false, misleading, foreign economic philosophies could accomplish little if American workmen clearly understood what governs the purchasing power of wages. In talks and written articles we have persistently explained how the purchasing power of the industrial worker is determined by the amount of his time he must

exchange for the time of other workers who made the goods he wishes to purchase. When costs are traced to their source, at least 92 per cent of those costs are represented by compensation for human effort. For example, I am writing this on a steel desk. Its labor history started with the labor involved in mining the ore from which the steel was made; continued through the many processes until the finished product was sold.

Commenting that the highest standard of living in the world has been developed here in the United States, because year after year through individual efficiency and technological development we have decreased the man-hours per unit of production, Mr. Hook, using the development of the common electric light bulb as an example, observed:

... Thomas Edison finished his experiments in 1892. In 1906 the 60-watt bulb sold for

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\$1.75 each. The average common labor rate for that year was about 15 cents an hour. Think how many hours of time a laborer would have had to exchange for just one bulb in those days! How many homes had electric lights then? Even in 1923, after many improvements had been made and the illuminating power of the bulb resultantly increased, the average selling price was 40 cents. Today you can buy an electric bulb for 11 cents and it gives 56 per cent more light, for the same amount of current, than the 1923 bulb.

At the close of his letter, Mr. Hook emphasized that an understanding of these economic facts is essential to the preservation of private, competitive enterprise. But, he continued,

... creating this understanding is not management's responsibility alone. It must be shared by the stockholder and the worker

alike. We must all maintain our lines of communication with our fellow citizens and especially with our elected representatives in Congress. They must understand the situation and how we feel about it, if they are to enact legislation that will help preserve private, competitive enterprise.

A variety of mediums is used by this steel company to inform its employees on these matters. A glance through the pages of its monthly magazine—*The Arm-Co. Operator*, which goes to all employees—the “weekly news letters,” and other printed matter, indicates that this program of education is based upon a broad understanding of the kind of practical economic truths which can aid the workers to realize their own personal stake in our free enterprise system.

—R. S. C.

Electric Utility Publishes a Paper For Farm Customers

To provide for closer contacts with its many customers on farms which it supplies with electric service, Carolina Power & Light Company is now publishing, especially for them, the *CP&L Farm News*. Announcement was made in the initial October issue that the paper will be sent to the company's farm customers every other month.

Printed on plate paper, so as to take half-tone illustrations, this 4-page paper—four columns on pages 9 x 12—has a band of color at top of its first page to set off its name. The first issue contains this statement as to the objectives:

The principal purpose of *CP&L Farm News* is to be helpful to you. We want to bring you information that is both interesting and valuable to you in your daily work and recreation. Particularly we want to keep you posted on the application of electric service to work on your farm, and to keep you informed regarding the plans and services of Carolina Power & Light Company that will affect you.

We hope that you will help us achieve these objectives by writing us any suggestions for the betterment of this paper. If you have any questions regarding electric service or electrical equipment on your farm

we will be glad to answer them for you. But whether you have suggestions or questions, we would like to hear from you occasionally. We are interested in you—as we hope you are interested in us.

THESE titles of articles, which were featured in the October and December issues, suggest the type of interesting and instructive reading matter this new paper provides for rural residents in the company's territory:

Carolina Farm Family Takes Part in National Farm Survey

Material Shortage Delays New Line Construction

CP&L Agricultural Development Department States Objectives

A Sweet Potato Curing House Is Important!

South Carolina 4-H Boys Win CP&L Awards at Fair

Company Nearly Doubles Previous Line Building Record

Talton Family Completes First Part of Farm Journal Test

Farm Home Lighting Important

Numerous pictures accompany these articles, and they serve to add to the attractiveness and interest of the pages. Two-thirds of the last page in each issue

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is taken up with farm hints—brief points, under various headings, as to farm activities during the current and ensuing month.

Readers are asked for suggestions, new ideas, and photographs. A comment in the December issue indicates that many are being received. Perhaps this

new step taken by this business-managed electric utility may point the way to more intimate relations between such service companies and their farm customers. In any event, it seems to mark a progressive step in broadening the knowledge of the benefits of the use of electricity on the farm.

Need for More People to Know More About Business Economics

THE November letter of The National City Bank of New York discusses the retreat of the American people from the philosophy of price controls, and the progress towards restoration of free markets. Following a brief analysis of the factors which contributed to the changes under way, reference is made to charges against "The Interests." The letter states that

Despite the obvious spontaneity of the uprising against controls, there has been the usual outcropping of charges of plots and conspiracies being put over on the public by small but powerful behind-the-scenes groups generally identified vaguely as "monopolists," "the interests," "the trusts," and "Wall Street," etc. . . .

Such statements are unfortunate at a time when there is need for the widest possible understanding of the forces at work in the economy. The truth is that the bursting of the bonds of controls has come in a field that could hardly be less susceptible to plots and "organized shortages" by the "meat trust" or any other group.

Attention is then directed to what has really been happening. It is simply a return, the letter adds, "to a system of economic law again finding expression in a free market," and continues with the following statement:

There are some people who do not like this system, but prefer a system of state controls backed up by force. Free markets are bound to have fluctuations, and people are going to get hurt if they make wrong decisions. But this is the essence of democracy, after all—where people themselves make decisions and take the consequences. The great majority of Americans want no other system.

COMMENTING upon the matter of industrial disputes, and that both management and labor have a "heavy responsibility for trying to work out amicable arrangements that will permit production to go forward and goods and services to be offered at prices that people can pay," the bank's letter stresses the need for "economic understanding," by labor, by people generally, with these comments:

The situation poses a test of the people's comprehension of the nature and obligations of economic relationships, and ability to recognize danger signals when they are flying . . .

So far as management is concerned, the attitude in most quarters is one of increasing caution in the face of the problems that now seem to be looming ahead. The stock market decline, the steadily rising costs of doing business, and indications in many lines that the shift from sellers' to buyers' markets has already come or is not far distant, have brought a note of sobriety into most business discussions. . . .

The chief cause for uncertainty now lies in the threatened new wave of wage demands, with the prospect of strikes to enforce them if not granted. Coming at a time when it has been hoped that bountiful harvests and increasing industrial output might soon get the better of inflation and lead to lower prices, this is disheartening. While labor spokesmen seek to justify the new wage demands on grounds of the further rise in the cost of living, the experience of the past year has amply demonstrated that raising money wages affords no permanent solution, but merely carries the wage-price spiral another turn higher.

In production and in increasing the quantity of goods on the market lies the real remedy, the statement declares. The

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great question is whether labor will see its advantages in concentrating upon this goal or whether it intends to use its great

power to try to drive up wages by main force regardless of consequences.

—R. S. C.

Some Items of Public Utility Interest in the President's Budget

DESPITE President Truman's claim that he had whittled Federal expenditures for the fiscal year 1948 down to a "tight" budget, Republican leaders in Congress were preparing to take deep cuts in various items, including those of interest to public utilities. Appropriations Committee Chairman Taber (Republican, New York) promises to prune the budget down to \$29,000,000,000, a reduction of \$2,300,000,000 under presidential estimates.

All Federal agencies regulating public utilities asked for more operating funds. The Federal Communications Commission was the first specific target of Representative Taber. The FCC is asking for \$6,875,000 in 1948, an increase of \$1,315,000. One item on FCC's budget was \$375,000 for an investigation of the telegraph industry. Some congressional leaders greatly doubted that this amount would be authorized. Federal Power Commission wants \$3,905,000, an increase of \$845,000; Interstate Commerce Commission seeks \$10,136,000, up more than \$2,000,000; Securities and Exchange Commission would like \$6,000,000, up \$1,000,000, to "rebuild its depleted staff." Many Congressmen think SEC should return to Washington before starting any rebuilding or recruiting of new commission personnel.

The administration is still going ahead with the construction of dams, including hydroelectric facilities. Army Engineers want \$407,000,000 for flood-control and

rivers-and-harbors work, which is \$99,000,000 more than they had to spend in the fiscal year of 1947. Reclamation Bureau wants \$184,000,000 for construction purposes, contrasted with \$157,000,000 for this fiscal year. Bonneville is asking \$20,278,000, mostly for transmission facilities. Southwestern Power Administration, just getting started, wants an additional \$6,622,000. Lumped together, these two agencies are seeking roughly \$7,000,000 over the previous year. TVA wants \$47,000,000 more spending authority in 1948. The new Atomic Energy Commission is shooting for an expense account of \$443,000,000, plus another \$250,000,000 in contracting authority.

Rural Electrification Administration wants lending funds of \$225,000,000 through Reconstruction Finance Corporation and \$25,000,000 independently to keep its farm program rolling.

Estimates of just how far the economy-minded Republicans would slash these proposed figures were nothing more than guesses the first week after the budget message, because the House Ways and Means Committee had not even made up its mind how much of a tax cut it was going to approve. Even so, such guesses varied from 30 per cent cut on proposals for the regulatory agencies, perhaps a little more for the SEC, and 50 per cent to 60 per cent cuts on the various Interior-Army Engineers construction items, and perhaps even a deep bite in the proposed REA lending authority.

Research and Promotional Plan of The Gas Industry

THE research and promotional plan of the American Gas Association is

something rather unique in the experience of conventional trade and industrial

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association work. Here is an association, composed principally of operating gas utilities (natural, manufactured, and mixed) which has undertaken to sponsor research and promotion that will develop the gas business in such a way as to benefit its membership in its business contest against competitive fuels and services.

Many other industrial associations have standing committees of one sort or another to devise plans and give advice on the subject of getting and holding a given industry's proper share of dollar-volume business. Many such committees doubtless render capable assistance in obtaining such objectives. But usually, when it comes to substantial outlay of money for research, individual companies in most industrial lines either do it on their own hook or leave the matter of research, at least, in the capable hands of the various manufacturing concerns. But the AGA committee has spent real money for its entire membership and its report for the two fiscal years ending 1946 shows real results.

The details on the progress of this plan are covered in a 58-page booklet, recently released by the American Gas Association, entitled "Report on the Gas Industry's Research and Promotional Plan." This report summarizes the activities of the new \$4,200,000 program which was instituted by the AGA two years ago. It covers the two fiscal years ending September 30, 1946, with some forecast of projected work during the third year period.

E. R. Acker, chairman of the special committee, discusses in the report the proportional allocations of these sums with unexpended balances during the first two fiscal years, together with projected budgets for the third year. The amounts have been segregated for three general purposes: (1) research—technical and domestic; (2) promotion; and (3) advertising. The over-all expenditure during the first two fiscal years totaled \$2,425,673 and the estimated budget for the third year was set at \$1,796,077—leaving an unexpended balance of \$652,188 at the end of the year as the

basis of estimated subscriptions, contributions, and receipts. This is certainly a substantial outlay for any industry or industrial association.

WHAT has been accomplished to date? The special committee's report contains separate papers by four chairmen of the respective committees performing the particular phases of the AGA program. These are:

P. T. Dashiell, chairman, gas production research

E. P. Noppel, chairman, utilization and technical research

Dorr P. Hartson, chairman, national advertising

D. A. Hulcy, chairman, promotion

THE gas industry's national advertising program, upon which Dorrr P. Hartson reported, was allocated a somewhat greater share of the funds than any of the other divisions of the AGA research and promotional plan. Its budget alone for the second and third years of the plan has been running \$870,000 a year. This year's program means the stepping up of circulation of magazine use from 47,500,000 to 57,000,000, and of total messages from 215,000,000 to 224,600,000. However, it was pointed out that despite these increases the dollar volume of magazine advertising placed by the AGA as well as the collaborating Gas Appliance Manufacturers Association was only one-half of what was spent on directing competitive electric appliances by the manufacturers of the latter equipment during the first six months of 1946. This, notwithstanding the fact that the manufacturers' value of most types of gas appliances produced was greater than that of competitive electric appliances.

It was suggested that gas appliance manufacturers might well work out some means of devoting a larger portion of sales revenue to a better presentation of their products to the public. Mr. Hartson's report contained an analysis of the various media (national magazines) used in the AGA advertising.

The March of Events



In General

President Recommends Appropriation

PRESIDENT Truman on January 10th asked Congress to provide \$20,278,000 for construction, operations, and maintenance activities of the Bonneville Power Administration during the next fiscal year beginning July 1, 1947.

Paul J. Raver, Bonneville Administrator, said the recommended appropriation would provide for extensive construction throughout the Pacific Northwest and provide power service to a number of serious "shortage areas."

In addition to the outright appropriation requested by the President, Congress also was requested to authorize the Bonneville Power Administration to make advance commitment in the amount of \$6,000,000 in order that materials requiring a long period to manufacture and deliver could be ordered sufficiently ahead of the construction program to permit uninterrupted operations.

On the basis of the President's program as outlined in the budget, Administrator Raver said the funds would be allocated as follows: for operations and maintenance, \$4,700,000; for construction, \$15,578,000.

Single Federal Transport Agency Urged

MOST of the nation's common carriers and users of transportation favor a regulation of transportation by a single Federal agency.

This conclusion was drawn by a special subcommittee on transportation of the House Interstate and Foreign Commerce Committee, headed by Representative Lea, Democrat of California. The

committee did not make any recommendations in its report, which was made public early this month, but merely summarized some 492 statements filed by individuals, trade associations, chambers of commerce, attorneys, government departments, state commissions, and publications.

In its summary, the committee noted that the air lines were opposed to a single agency to administer Federal laws for all types of common carriers, while the other carriers mostly favored such integration.

At present, the air lines are subject to the Civil Aeronautics Board and the Civil Aeronautics Administration, water carriers to the Maritime Commission, and railroads and trucks to the Interstate Commerce Commission.

Krug Approves Unfavorable Report

A REPORT unfavorable to construction at this time of the Cody dam and power plant on the Shoshone river in Wyoming, submitted by the Bureau of Reclamation after investigations of the proposal, has been approved by Secretary of the Interior J. A. Krug, it was announced recently.

The Cody dam and power site are downstream from the Buffalo Bill dam and reservoir and Shoshone power plant and adjacent to the city of Cody, Wyoming. Development of the Shoshone irrigation project, including the Heart mountain and Oregon basin extensions, would reduce the water flow at the proposed Cody dam site, Reclamation engineers said, to a point where generation of any substantial amount of firm power would not be feasible.

Arizona

Votes on Boulder Dam Power

THE Arizona Power Authority Commission moved recently to obtain for Arizona the first block of Boulder dam electric power and initiated proceedings in connection with the issuance of \$15,000,000 worth of revenue bonds to finance the first phase of its projected statewide power grid.

These important actions were taken at the annual meeting of the commission, at which M. J. Dougherty and E. G. Lavers were reelected chairman and vice chairman, respectively.

Kenneth B. Aldrich, the commission's director and chief engineer, presented for consideration contracts with distributors for Boulder power, aggregating more than 130,000,000 kilowatt hours.

This represents a substantial portion of Arizona's power allotment from the dam. The contracts were approved by the commission and Mr. Aldrich was directed to file withdrawal applications with the U. S. Bureau of Reclamation immediately.

Pending issuance of the first revenue bonds, the commission authorized the filing of an application with the Federal Works Agency for loans totaling \$68,000 to conduct an "on the ground" survey of the course and necessary rights of way for construction of the transmission line system in its state power network, and for the preparation of detailed plans

and specifications preliminary to issuance of bonds and the seeking of bids for construction of the power system.

Plans already completed and approved by the commission envision a power grid serving nearly all sections of the state, the total ultimate cost of which is placed at \$30,000,000. The program is to be paid for out of self-liquidating bonds to be retired out of revenue from the sale of power, under the power authority plan.

Recommends Gross Receipts Tax

THE state corporation commission recommended in its recent annual report the enactment by the state legislature of a gross receipts tax on all public utilities to defray cost of regulation and rate fixing by the commission.

This would be in addition to the \$50,000 the legislature previously appropriated for such purpose, so that "regulation, establishment of base rates, and rate fixing is a continuing task and not left to periodic and sporadic effort as has been the practice in the past."

The commission also asked to be charged with the duty of the enforcement of the state motor carrier act, with statutory authority to attach and impound vehicles operating in violation of the act.

Another commission proposal called for an aviation code covering the economic regulation of intrastate air commerce, both for regulation and as a means of determining applicable law.

Arkansas

Co-ops Get Nation's Lowest Rate

THE Arkansas Power & Light Company's power rate to 13 electric co-operatives was modified by the state public service commission recently to permit lower resale rates for agricultural and industrial purposes.

An average rate of 5.8 mills per kilowatt hour was established. All power

loads of more than 40 kilowatts will be billed to the co-ops by AP&L on their wholesale for retail rate. This permits a lower charge for farm and industrial customers using less than 100 kilowatts. Industrial consumers requiring a load of more than 100 kilowatts from a co-op will be charged 20 per cent less than an AP&L customer.

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Commission Chairman C. C. Wine termed the rate "marginal" and the nation's lowest to a rural coöperative.

"The commission approved the rate because of its interest in rural electrification development," he said.

Purchase Authority Asked

THE Arkansas-Missouri Power Corporation asked the state public service commission recently for authority to buy from the Reconstruction Finance Corporation 62 miles of electric transmission line in Lawrence and Clay counties.

The line, declared surplus by the War Assets Administration, has been serving several pumping stations of the Big and Little Inch pipe lines. Arkansas-Missouri said it had been supplying power for the transmission line and that it would pay \$326,835 for it.

The utility proposed to dismantle 48 miles of the line and build 14 new miles to serve the pipe-line stations more efficiently over a shorter transmission route. Salvage equipment would be used in the company's other operations.

Its petition was scheduled to be heard by the commission on January 21st.

California

Sponsors Vast Power Program

INDUSTRIAL growth of the Imperial valley will be fostered by a \$6,200,000 power system development by the Imperial Irrigation District, officials of the district declared early this month.

The power facilities will serve a new sugar factory, five miles south of Brawley, to cost several million dollars, and a multimillion-dollar gypsum project at Plaster City.

Other industries to be serviced include a new plaster board plant, numerous alfalfa dehydrating plants, a new fruit and vegetable packing house. Numerous ice plants will more than double their capacities.

Utilities Commissioner Named

MAYOR Lapham of San Francisco on January 2nd appointed Thomas G. Plant, his former associate in the management of the American Hawaiian Steamship Company, to the city's utilities commission.

Plant, vice president of the shipping company, succeeded Sam McKee who resigned last month before his term would have ended. The mayor also announced his intention of reappointing Plant to a 4-year term on January 15th.

McKee was a hold over from the Rossi administration.

Plant, fifty-seven, is a native of New Jersey.

Colorado

Gas Installations Held Up

THE Public Service Company of Colorado will not install additional gas-heating equipment until after March 15, 1947, except in new homes designed only for gas heat, F. T. Parks, vice president in charge of gas operations, announced in a letter to all heating contractors in the city of Denver. In urging heating contractors to adopt the same policy, Parks said they would be render-

ing service not only to their immediate customers but to every natural gas customer in Denver, because, if the present rate of installing heating units continues, by March 15th a demand of 12,000,000 cubic feet in excess of the pipe-line capacity of 83,000,000 cubic feet is expected.

When this happens the service for all natural gas customers will suffer and house-heating customers will be particularly affected, Parks said.

Illinois

Transit Sale Approved

THE United States Circuit Court of Appeals this month upheld a plan of reorganization of the Chicago surface lines under which the lines' property is to be sold to the Chicago Transit Authority for \$75,000,000.

The reorganization plan, previously approved by Federal Judge Michael L.

Igoe, was challenged by minority stockholders, who appealed Judge Igoe's decision.

The Chicago Transit Authority was established in 1945 by an act of the Illinois general assembly. It is a municipal corporation with power to operate a public transportation system in Chicago, embracing surface, elevated, and subway lines.

Kentucky

KU Petitions Commission

KENTUCKY UTILITIES COMPANY, Lexington, asked the state public service commission on January 9th to permit it to charge customers \$4,823,418 over a 15-year period to repay what it has spent buying property in excess of the plant's original cost.

The Federal Power Commission last month ordered KU to amortize the almost \$5,000,000 plant acquisition adjustment by charging it off as a deduction from net income at the expense of stockholders. KU, however, petitioned the

state commission to allow it to charge off the adjustment in 180 monthly instalments of \$26,796 as an annual operating expense.

It was reported that the effect of such an accounting procedure, termed "above the line" charges, would be to (1) reduce the utility's net earnings some \$321,560 a year, paving the way for it to petition for a rate increase, or staving off any order to lower rates; (2) reduce its rate base each year by the amount collected from the public, causing its earnings to reflect a higher return on its investments.

Maryland

Amended Rate Filed

IN compliance with a state public service commission order, the Consolidated Gas, Electric Light & Power Company on January 8th filed amended schedules of electric rates providing cuts totaling \$3,650,000, more than 37 per cent of the reduction to benefit residential customers.

The cuts had been ordered by the commission on December 30th, when it approved increases of \$2,500,000 in gas and \$150,000 in steam rates. The result will mean an over-all net reduction of \$1,000,000 in annual company revenues from these sources, it was estimated.

A hearing on the proposed new electric rates, which would become effective

with the April meter readings, was set for January 15th at the commission's offices to give interested parties an opportunity to show why the schedules should not be adopted.

Transit Plea Lost

DECLARING the company did not show evidence that its request was consistent with the public interest, the state public service commission on January 7th dismissed a petition of the National City Lines, Inc., which had sought to increase its holdings in the Baltimore Transit Company.

Now owning 29.98 per cent of the preferred stock and 11.5 per cent of common stock in the Baltimore traction firm,

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the National City Lines, a Chicago concern, had asked that it be permitted to increase these holdings to 45 per cent or more, but not more than 50 per cent.

In denying the expansion request, the commission pointed to its ruling of

September 20, 1944, which allowed the American City Lines, Inc., later merged with National City Lines, to buy stock, provided it did not represent more than 30 per cent of the total voting rights of security holders of the BTC.

Michigan

Strike Bills Ready

ANTAGONISM toward strikes, particularly when they interfere with public utility service to the residents of Michigan, became obvious in the new state legislature early this month.

Two house members announced they intended to introduce bills to "restore democracy in strike votes" and make it a felony to interrupt electric power service to the public.

The strike vote bill was prepared by Representative Albert W. Dimmers, Jr., of Hillsdale, and was expected to be introduced early in the session. His bill would require that any union membership voting on a strike issue shall do so at a secret ballot, supervised by the state labor mediation board. No strike would be legal unless a majority of the full membership of the union involved voted to quit work.

Representative Lewis G. Christman, of Ann Arbor, was said to be ready to reintroduce a bill to make it a felony to interrupt electric power service to the public. The bill was defeated in 1945. It provided for a fine of \$500 to \$5,000, or a prison sentence of one to five years, or both.

DSR Income Increased

DETROIT STREET RAILWAY passengers dropped \$43,390,553 into bus and streetcar fare boxes during 1946, the first full year of the system's 10-cent fare, DSR auditors reported recently.

The fare box revenue figure is \$7,880,896 more than the \$35,509,657 the DSR took in during 1945.

Richard A. Sullivan, DSR general

manager, and DSR auditors pointed out that the \$7,880,896 increase does not represent the system's profit for the year, however. That figure will not be determined for several weeks, until all bills and claims are paid and depreciation and other charges are made against income.

During the last six months of 1945, under the 6-cent streetcar fare and 5-cent and 10-cent bus fares, the DSR ran in the red, losing \$1,725,000.

For the first six months of 1946, net profits of \$1,456,000 nearly completely recouped the previous six months' loss, and during August, September, and October the system added another \$1,414,000 to its 1946 earnings.

FEPC Goes to Legislature

INITIATORY petitions for a Fair Employment Practices Commission law reached the state legislature on January 8th, but the future of the measure was still uncertain.

Fred M. Alger, Jr., chairman of the state board of canvassers, certified to the legislature that the petitions contained more than the 133,238 signatures required to bring the measure to the attention of lawmakers. Board employees counted 140,638 valid signatures and then tabled thousands of sheets uncounted.

Under the Constitution, the legislature has forty days to approve or reject the measure. A referendum is mandatory if it is rejected.

The legislature also may submit to the people, along with the initiated proposal, a different measure on the same subject. There is a growing possibility that an alternate bill may be offered.

New Jersey

Gas Strike Ends

EMPLOYEES of the Harrison gas works of the Public Service Electric & Gas Company returned to work on January 3rd, ending a 10-day strike that had threatened to shut off a major part of the gas supply in Essex and Hudson counties.

Most of the 400 workers involved, meeting at their Harrison headquarters, voted to accept a back-to-work formula by a 2-to-1 vote, with about a dozen men walking out in protest. Others said the strike should not have been called.

The settlement, worked out in a conference with Harry C. Harper, state labor commissioner, provided for immediate resumption of negotiations with the company.

Unsettled issues would be placed before the state mediation board. The principal demand of the strikers is for a 30-cent hourly wage increase, and a signed contract with their union, Local 268, International Chemical Workers, AFL.

The men voted to return after talks by Thomas Boyle, president of the local, and Joseph P. Dunn, their attorney. The vote

also covered employees of a small auxiliary gas plant in Newark that had closed down.

The Harrison works had continued to operate with a crew of sixty supervisory employees. At no time, it was said, was there any actual serious curtailment of service.

Municipal System Acquired

AQUISITION of the municipal electric distribution system of the borough of Ogdensburg, Sussex county, at a price of \$30,500 was announced recently by Hugh C. Thuerk, president of New Jersey Power & Light Company, Dover.

The purchase was completed following a special election December 23, 1946, which resulted in a vote of 160 to 4 in favor of the sale of the system. A study of comparative costs of supplying electric service to the borough, prepared by the company at the request of Ogdensburg officials, showed substantial savings would be afforded electric users by acceptance of the company's offer.

New Jersey Power & Light Company serves an area of 1,800 square miles in northwest New Jersey.

New York

Rate Cut Authorized

THE state public service commission on December 30th granted permission to the Buffalo Niagara Electric Corporation to revise its rate schedule to pare an estimated \$606,000 a year from the electric bills of 66,000 consumers in 11 western New York counties.

The new rates, effective January 1st, apply in Allegany, Cattaraugus, Chautauqua, Erie, Genesee, Livingston, Monroe, Niagara, Ontario, Orleans, and Wyoming counties. This area formerly was served by the Niagara, Lockport & Ontario Power and the Lockport & Newfane Power & Water Supply companies, merged in 1945 with Buffalo Niagara.

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The principal change will bring the minimum monthly charge down from 90 to 70 cents, with an allowance of 14 kilowatt hours. This is the rate the utility had charged in Buffalo before the consolidation.

Seeks to Avoid Fare Rise

MAYOR O'Dwyer and the city board of estimate will not consider increasing the fare on New York city-owned transit lines except as a last-ditch method of easing the city's financial position, it was indicated recently.

Declining to discuss such specific matters as the possibility of a higher-fare referendum this year, at either a special

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or general election, the mayor disclosed that he had named a 3-man fact-finding committee to collect and submit to him all pertinent financial data bearing on the higher-fare issue.

It was reliably reported that the mayor and the board of estimate hoped the committee's report would disclose some means other than a fare rise to ease the rapidly growing strain on the city's expense and capital budgets.

The committee is headed by William Reid, deputy commissioner of the board of transportation, who also is an assistant to the mayor. The other members are Budget Director Thomas J. Patterson and Julius Wolff, chief accountant in the office of Controller Lazarus Joseph.

Court Denies Application

THE efforts of seven Brooklyn taxpayers to obtain a court inquiry into the activities of Michael J. Quill as city councilman and international president

of the Transport Workers Union failed recently when Justice Charles W. Froessel, of the supreme court in Queens, denied an application for such an inquiry.

It was the second effort of this group, headed by Gilbert Greenfield, to obtain a favorable decision on their claim that Quill's serving simultaneously as city councilman and president of the TWU, a Congress of Industrial Organizations affiliate, was a violation of the city charter. In their first move last March, in which they asked for Quill's removal on the ground that his dual job holding was illegal, the supreme court held that the allegation could not be sustained under the city charter.

In the current action, begun November 26th with Joseph Goldstein of Brooklyn as attorney for the group, the court was asked to make a summary inquiry into Quill's dual office-holding activities and alleged neglect of duty as a member of the city council.

Ohio

Expanded Transit Authority Sought

STATE legislation that would permit establishment of a metropolitan transportation authority was urged recently by spokesmen for the Metropolitan Cleveland Development Council, who appeared at the regular meeting of the county's newly elected Republican state senators and representatives.

Burns Weston, the council's executive director, described the present "unsatisfactory" contract and franchise arrangements between municipalities, especially

in this county, on transit matters, and asked for enactment of a bill which would allow any two municipalities to form an authority.

Senator-elect Allen N. Corlett, chairman of the Cuyahoga Republican legislative delegation, asked if it might not be a good idea to include all utilities in the proposed authority measure.

Council representatives replied that they thought it would be better to prove with one utility that the plan was a good one, after which water, sewage, and other utilities could be brought under the control of an authority.

Pennsylvania

Company Loses Plea

THE Third United States Court of Appeals in Philadelphia has rejected a request by the Philadelphia Company that an investigation now going on in Pittsburgh, under the direction of the

Federal District Court, of the merits of its claims against Pittsburgh Railways Company, be expanded to include an inquiry into claims of all creditors of the Railways Company.

The circuit court of appeals ruled that

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the investigation should be limited to the relation of Philadelphia Company with the Railways Company and to the question of whether the claims of Philadelphia Company should be "subordinated or limited" to those of public holders of railway securities.

Philadelphia Company is a holding company in the Standard Gas & Electric Company system and is parent of the Railways Company, which owns most of the 59 underliers.

Vote to Arbitrate Strike

AFTER a week-long strike, 465 Equitable Gas Company distribution depart-

ment workers were back on the job. They voted unanimously on January 9th to arbitrate.

Union leaders, who declared themselves in favor of a settlement by arbitration, were Joseph C. Gallagher, district director of Local 12,050, AFL Coke and Chemical Division, District 50 United Mine Workers; John Ghizzoni, UMW international board member; and John Barnes, UMW district representative.

The company already had agreed to arbitration.

In negotiations, the union had modified its demand for a wage boost from 35 to 25 cents an hour. The company had offered 12 cents.

Rhode Island

Strike Threat Averted

AN agreement between the Providence Gas Company and its employees, who are members of the United Mine Workers of America, Local 12,431, AFL, recently ended the threat of a strike. Harry Noonan, president of the union, issued the following statement:

As a result of a conference called by Charles Brinton, conciliator of the U. S. Department of Labor, the Providence Gas Company and the United Mine Workers of America, AFL, reached a satisfactory agreement on wages, hours, and working conditions today (December 31, 1946).

Noonan said the union and the com-

pany had reached an agreement not to make public the terms of the settlement.

On December 9th approximately 350 members of the union met and voted to turn down a company offer of a 10-cent-an-hour increase in wages. At that time Noonan said the union would give the company thirty days' notice of intent to terminate its contract, and would notify the National Labor Relations Board of intent to take a strike vote in thirty days.

The union membership includes employees of the distribution, production, collection, appliance, and meter reading departments, and maintenance employees of the main office building.

Tennessee

Commission Head Elected

A. T. TAYLOR of Jackson was elected chairman of the state railroad and public utilities commission on January 3rd by a vote of 2 to 1.

He was nominated by Commissioner John C. Hammer, who stipulated he would make the nomination only if Mr. Taylor would agree to vote for himself. Mr. Taylor agreed.

Their combined votes overrode the

vote of Commissioner Leon Jourolmon, who both nominated and voted for himself.

Mr. Taylor succeeded Samuel Strong Pharr of Memphis, who was not a candidate for reelection to the commission last November 5th. His term expired January 1st.

Mr. Jourolmon said he was sure Mr. Taylor would make "an outstanding chairman."

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Texas

Emergency Gas Increase Allowed

THE state railroad commission recently granted an emergency increase of 60,000,000 cubic feet of natural gas daily in the allowable production from the Carthage field. This is to help

supply the Big and Little Inch lines which are being used this winter to bring emergency supplies of gas to the mid-western and Appalachian areas.

The increase has been assigned to Lone Star Gas Company's wells and will be deducted from its February allowable, the order of the commission stated.

Vermont

Governor Urges Rate Investigation

INVESTIGATIONS designed to bring about cheaper electric rates in Vermont were urged by Governor Ernest W. Gibson in his inaugural address on January 9th to the state legislature. He said:

It appears to me that electric rates in the state of Vermont as a whole are too high. He who made this earth in making Vermont made a state which should have a bountiful supply of hydroelectric power. Such we do have; yet, our rates as compared to those of other states are in most instances high. This is an age of electricity, an age where

farming, industry, and homemaking rely each day more and more on electricity.

I recommend, therefore, statutory authority for our public service commission to initiate investigations on its own account, and assurance that this commission shall have an adequate technical staff. I know that cheaper electrical rates will help us secure more small industries for our state.

Earlier, retiring Governor Mortimer R. Proctor, in his farewell address to the Vermont solons, commended the work of the state commission, particularly for its part in securing the extension of 1,027 miles of rural electric lines and reductions of \$525,000 in rates.

Washington

Case Due to Get Rehearing

THE proposed purchase of Puget Sound Power & Light Company by Skagit County Public Utility District has been held up by a tie vote of eight members of the state supreme court, with the case ordered for a rehearing.

The court voted in the absence of Justice Walter Beals, who is on leave to preside at war crimes trials in Germany.

The proposal of Skagit County Public Utility District on behalf of itself and fourteen other public utility districts was approved by Skagit County Superior Court in a test brought by the treasurer of the Skagit county agency, and was heard in the supreme court last September. Briefs opposing the \$135,000,000 transaction were filed by Weyer-

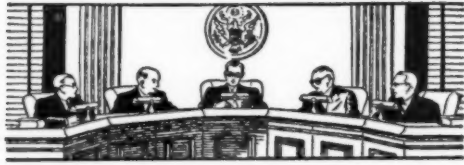
haeuser Timber Company, as a taxpayer, and by the city of Seattle.

Power Meet in Harmony

REPRESENTATIVES from nearly every public and private power generating utility in the Northwest met in Tacoma on January 7th to discuss a program for added generating capacity. The meeting was the first of a series looking toward the union and future development of facilities of such concerns.

C. A. Erdahl, Tacoma public utilities commissioner, described the gathering as one of "feeling of complete harmony." Power executives from Seattle, Spokane, and Portland were in attendance.

A subsequent meeting was to be held January 11th.



The Latest Utility Rulings

South Dakota Telephone Rates Fixed on Statewide Basis

AN increase in rates of the Northwestern Bell Telephone Company has been granted by the South Dakota commission. The new schedule is based on a statewide grouping method. Cities and towns having similar service characteristics are placed in the same service and rate categories.

The need for additional revenues was recognized in view of increased labor and material costs. Operations during the years 1942, 1943, and 1944 had resulted in an average return of only .96 per cent on average investment in plant and working capital. Wage increases of about 21 per cent had been granted in 1946 as a result of collective bargaining with a union "in line with the national policy and wage trends of the time." Payroll costs were approximately 67 per cent of total operating expenses, while in 1941 this figure was 55 per cent.

Prices for materials and supplies that the company must purchase to make needed additions to meet rising demands had increased as follows since 1939: telephones 15 per cent, switchboards 43 per cent, cable 50 per cent, motor equipment 70 per cent, copper line wire 75 per cent, and poles 85 per cent.

Under the new wage scales the small return mentioned would be wiped out and a deficit incurred. Proposed rates would result in a return of 2.12 per cent on average investment and working capital, or a return of only 3.21 if the entire depreciation reserve balance were deducted.

The commission referred to the fact that the statewide grouping basis of rate regulation had been approved elsewhere. This method considers the entire exchange telephone property of an integrated company in the state as one unit for the purposes of regulation, regardless of the number or size of exchanges involved. The objective is to establish levels of exchange rates for different groups of exchanges that will result in a balanced rate schedule for all exchanges and produce in the aggregate reasonable earnings on total operations in the state.

Recognition was given to the fact that service in smaller exchanges is relatively less valuable to subscribers. Moreover, contrary to the usual business experience that cost per unit decreases as the quantity produced increases, it was observed that in larger exchanges more people may be reached from the individual telephone. The average length of the subscriber's loop increases and equipment necessary for switching calls becomes greater in amount and complexity. There is a tendency for each customer to place more calls. This increases costs.

The commission, after noting the development from isolated self-contained economic and social units to a statewide interdependency, concluded that, in the light of modern requirements and habits, it is necessary that there be adequate, efficient telephone development in all communities, large and small, and throughout the rural areas. Rates should, therefore, be fixed so as to encourage

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maximum development throughout the state, both as to telephone exchanges and long-distance lines. *Re Northwestern Bell Telephone Co. (F-2166).*



Stockholder's Action against Holding Company Officers for Waste of Assets Dismissed

A MOTION to dismiss a stockholder's derivative action against the United Corporation's former and present directors for waste of assets was granted by the Federal District Court. The complaint was based on § 25 of the Holding Company Act.

It was alleged that the directors violated § 5 of the act by causing the corporation to remain an unregistered holding company. They violated § 4(a)(6) of the act, it was charged, by holding securities of subsidiaries, in voting for the merger of two subsidiaries, and in acquiring shares of stock from the merger. Moreover, they had failed to submit a proper plan of compliance with the Securities and Exchange Commission, thus violating § 11(e) of the act. In short, the court said, the charge was that defendants were liable for waste of assets occurring during the period when the corporation was violating the Holding Company Act.

However, the court pointed out that the loss involved would have occurred even had the officers been acting in compliance with the Holding Company Act, and there is no provision in the act imposing a duty or liability on officers or directors, as such, or upon outsiders acting in concert with officers and directors.

It was held that in the absence of other jurisdictional elements a minority stockholder may not resort to the Federal courts on simple allegations that directors and officers, with other coconspirators, have violated Federal statutes.

After analyzing the Holding Company Act, the court concluded that the plaintiff could not maintain a stockholder's derivative action in equity against the holding company's officers and directors and other third party conspirators for causing the company to violate § 4(a) of the act. In this connection it was said:

There is no provision in the act giving a sanction against the acts complained of by permitting a private party to sue and to apply such sanctions. Section 4(a) is penal in nature in order to force subject companies to register under § 5. . . . Moreover, § 4(a) would appear to be a regulatory statute; and a violation of its provisions would give no right of action to a private party. . . . In the last analysis, it seems clear that the duty of enforcing compliance with the act is, with the exceptions noted, the exclusive function of the SEC.

The allegation that the company had failed to state a plan under § 11(e) of the act was deemed to be without substance also, because, as it was pointed out, § 11(e) is permissive, not mandatory. *Downing v. Howard et al. 68 F Supp 6.*



Rate for Volume Gas Use Modified

THE application of a utility for approval of a gas tariff revision was sharply contested by representatives of consumer groups in a proceeding before the New Jersey commission. The testimony of one of the witnesses for the consumer groups was considered wholly unacceptable by the commission. His testimony rebutting utility evidence as to the original cost rate base and accrued de-

preciation was excluded when cross-examination developed that he was not an engineer, had no engineering assistance, had never examined the utility's properties, and had never been employed by any utility in a managerial capacity or otherwise.

The company, after showing that its rate for volume use, such as house heating, did not provide adequate compen-

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sation, proposed an increase without appreciable addition in rates for other gas consumers. Consumer claims that this constituted discrimination were overruled by the commission, which went one step further and called the schedule in effect prior to the proceeding unreasonable and unjust as permitting volume gas users to avoid payment of their true share of costs.

The commission, in permitting a modified increase in the cost of volume use, pointed out that no hardship was being worked on consumers who converted to gas heat relying on the low rate, since the cost of all other fuels had risen to such a point that a home heated by gas was still being heated cheaper than one using any other fuel. *Re Jersey Central Power & Light Co. (Docket No. 2503).*

Contract Not Binding on Commission

AN agreement between the Rochester Transit Corporation and the city of Rochester extending a service-at-cost contract which had been approved by the New York commission does not prevent the commission from fixing bus fares. The appellate division of the state supreme court made this ruling in upholding an order that dismissed a proceeding to prohibit investigation of fares.

The city had never exercised its option to renew the original service-at-cost contract, but at various times it entered into a series of short-term agreements differing in some respects from the original

contract. The court held that the commission could not divest itself of jurisdiction except in the manner provided by the legislature and the statutory procedure as to approval of a service-at-cost contract.

The theory of implied approval was held to be inapplicable. The same might be said as to the doctrine of estoppel. The commission was not required to seek out extension agreements and have the parties present them for approval in conformity with the statute. *Rochester Transit Corp. v. Public Service Commission.*

Commission Lacks Jurisdiction over Power Company

THE New Hampshire Supreme Court dismissed the petition of an out-of-state hydroelectric corporation, a licensee under the Federal Power Act, for authority to acquire and operate utility properties located in New Hampshire. The proceeding had been transferred from the state commission with an inquiry as to its jurisdiction.

The court pointed out that the divid-

ing line between the jurisdiction of the Federal Power Commission and the state commission is somewhat obscure but ruled that the state commission had no jurisdiction to authorize such a corporation to engage in interstate business even if it intends to carry on an intrastate business at the same time. *Bellevue Falls Hydro Electric Corp. et al. v. State, 49 A2d 511.*

Telegraph Company Subsidiary Denied Carrier Certificate

THE application of a Western Union subsidiary for authority to operate as a common carrier was denied by the Pennsylvania commission for insufficient proof of public need for the proposed service.

The commission conceded that recognition of the Western Union messenger was nation wide but did not feel that because of its established organization and reputation it should be permitted to engage in the broader field of motor

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vehicle transportation as a matter of course. *Re Western Union Distribution Service, Inc. (Application Docket No. 59786, Folders 1 and 2).*



Other Important Rulings

THE application of a general contractor for authority to pick up and deliver freight and lumber at times when his trucks were not hauling a full load of building material was denied by the Colorado commission. The contractor had offered no evidence showing public need for his service and no evidence that the proposed operations would not impair the efficient public service of those motor carriers already serving the area. In the absence of such evidence, the commission stated, a certificate of convenience and necessity may not be awarded. *Re Hollist (Application No. 7932-PP, Decision No. 26921).*

The New York commission held that new freight and passenger stations, train sheds, railroad yards, and accessories and equipment necessarily constructed in connection with the elimination of certain grade crossings constitute railroad improvements to be paid for solely by the railroad, and the fact that the railroad's acquiescence in a 3-track plan rather than a 4-track plan resulted in a saving in connection with the elimination does not relieve it of its liability for the cost of such improvements. *Re Syracuse Grade Crossing Commission (Case 4977).*

An interstate motor carrier which had accepted perishable goods for shipment to a point on another line was held responsible by the Illinois Appellate Court for improper handling of the goods while endeavoring to obtain a connecting carrier. The court ruled that the transportation company retained its carrier status in relation to the shipment and did not become a warehouseman during the hold-over period. *Wilson & Co., Inc. v. Werner Transp. Co. 69 NE2d 713.*

A taxpayer's petition to enjoin the construction of a waterworks system on the ground that the system would be inade-

quate was dismissed by the supreme court of Kansas, which held that the advisability of the water system was a matter for administrative discretion rather than for the decision of a judicial body. *Lewis et al. v. City of South Hutchinson et al. 174 P2d 51.*

An inquiry by the Pennsylvania commission into the taxicab service in Philadelphia resulted in an order directing both large fleet operator and independent operators to augment the number of cabs in use, continue telephone service, discontinue the "share-the-ride" practice, and replace obsolete equipment. The commission approved of the methods of the fleet operator of preparing for peak demand periods and its experiments with 2-way radio for emergency calls. *Re Taxicab Service in Philadelphia.*

The superior court of Pennsylvania, in affirming a commission order permitting the transfer of a certificate, pointed out that no new showing of public necessity need be made at time of transfer, since conditions in effect when the certificate was issued are presumed to continue until the contrary is demonstrated. *Hostetter et al. v. Pennsylvania Public Utility Commission.*

At the request of a competing intrastate motor carrier, an interstate carrier was ordered by the Ohio commission to cease intrastate operations. The commission, however, agreed with the interstate carrier that a contract into which it had entered to lease the equipment of authorized Ohio carriers could be approved by the commission under a statute vesting authority in the commission to supervise motor transport companies in all matters affecting their relationship with one another. *Muskingum Valley Transit Co. v. Red Star Way, Inc. (Docket No. 13182).*

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In establishing a new rate schedule for a water utility the Wisconsin commission ruled that a rate for seasonal service four times the general quarterly minimum would be proper, since most of the minimum bill is to meet capacity costs and other fixed expenses which are independent of the amount used. *Re City of Greenwood* (2-U-2248).

In considering the petition of water consumers for examination of domestic and commercial rates, the Arizona commission disapproved the utility's practice of levying a meter installation charge on water service in use before the utility received its certificate of convenience and necessity. The commission pointed out that under the company's own rules such charges could be made only for "each and every new service." *Re Citizens of Wittman* (Docket No. 10545-E-1157, Decision No. 16852).

The Florida Supreme Court quashed a commission order granting an extension of a motor carrier's certificate when it appeared that the order had been made, after a hearing in which transfer of the certificate was considered, without any proof of public need for the extension. *Central Truck Lines, Inc. et al. v. Railroad Commission of Florida et al.* 27 S2d 658. •

Although a complaint against the failure of a bus company to furnish adequate year-round service to a resort area was withdrawn when the company committed itself to a schedule satisfactory to a commuters' association, the New York commission called attention to the fact that it would adhere to the general rule against duplication of carrier service only so long as the service of the certified carrier was adequate. *Re Flying Eagle White Way Lines, Inc.* (Case 12691).

The application of a taxicab association for approval of its incorporation

and for operating authority was denied by the Pennsylvania commission, which found that the testimony of its officers indicated that they lacked the managerial skill necessary to operate a cab company to the best interest of the public. *Re G. I. Taxicab Asso., Inc.* (Application Docket No. 65595, Folders 1 and 2, Securities Certificate No. 519).

The supreme judicial court of Massachusetts held that where a milk producer contracted to haul another producer's milk, but without the other's knowledge obtained a certificate as a common carrier, he was not entitled to recover the difference between contract rates and higher rates filed as common carrier, since he was acting as contract carrier rather than common carrier. *Rugg v. Davis et al.* 69 NE2d 579.

The Wisconsin commission, in prescribing increased rates for a telephone company, authorized a charge of \$2 for a change in type of instrument, as a deterrent to frequent changes, in lieu of the company's present desk-set rate of 10 cents a month in addition to the regular rate for that class of service. *Re Cream Valley Teleph. Co.* (2-U-2249).

A provision in a state motor carrier statute that it should not apply to the carrying of passengers in interstate commerce where Congress or the Interstate Commerce Commission had acted was interpreted by a California court as meaning that the statute would not apply if Federal action had been taken, irrespective of the extent to which the Federal legislation was complete or efficient. *People v. Van Horn*, 174 P2d 12.

The Missouri commission approved the application of a railroad for authority to discontinue custodian service at a small village station where the station was being operated at an out-of-pocket loss. *Re Chicago, Burlington & Quincy Railroad Co.* (Case No. 10,911).

NOTE.—The cases above referred to, where decided by courts or regulatory commissions, will be published in full or abstracted in *Public Utilities Reports*.

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COMPRISING THE MORE IMPORTANT DECISIONS, ORDERS, AND
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Champlin Refining Company
v.
United States of America et al.

No. 21

— US —, 91 L ed —, 67 S Ct 1
November 18, 1946

REVIEW of decree dismissing injunction suit against Interstate Commerce Commission to prevent enforcement of order requiring oil company to comply with valuation procedure as an interstate pipe-line company; affirmed. For lower court decision, see (1945) 61 PUR(NS) 321, 59 F Supp 978.

Interstate commerce, § 6 — Oil pipe-line company — Interstate Commerce Act.

1. A company transporting oil products through its pipe line from its refinery in one state to markets for sale to the public in another state is engaged in transportation in commerce as a common carrier within the meaning of the Interstate Commerce Act, p. 66.

Valuation, § 7 — Jurisdiction of Interstate Commerce Commission — Oil pipe-line company.

2. The provisions of the Interstate Commerce Act directing the Commission to investigate, ascertain, and report the value of all property owned or used by every common carrier subject to the provisions of the act apply to a company transporting its own petroleum products by pipe line from its refinery to market for sale in other states as a statutory common carrier within the provision of the act that the term "common carrier" shall include "all pipe-line companies," p. 66.

Interstate commerce, § 1 — Power of Congress — Private carrier.

3. The power of Congress to regulate interstate commerce is not dependent on the technical common carrier status but is quite as extensive over a private carrier, p. 68.

Interstate commerce, § 1 — Powers of Congress — Private pipe-line carrier — Requirement of information.

4. The commerce power of Congress is adequate to support the requirement of the Interstate Commerce Act that a pipe-line company transporting petroleum products in interstate commerce furnish to the Interstate Commerce Commission information as to facilities being used in interstate marketing of its products, whether the company be considered a private carrier or a common carrier, p. 68.

Constitutional law, § 17 — Due process — Regulation of pipe-line company.

5. The requirement of the Interstate Commerce Act that a pipe-line company, whether technically a private carrier or a common carrier, furnish

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to the Interstate Commerce Commission information as to facilities being used in interstate marketing of its products does not violate the due process clause of the Constitution by imposing upon a private carrier the obligations of a conventional common carrier for hire, p. 68.

(REED, FRANKFURTER, DOUGLAS, and BURTON, JJ., dissent.)

APPEARANCES: Dan Moody, of Austin, Texas, argued the cause on the original argument and reargument and Harry O. Glasser, of Enid, Oklahoma, argued the cause on reargument for appellant; Edward Dumbauld, of Washington, D. C., argued the cause on the original argument and reargument, for appellees.

Mr. Justice JACKSON delivered the opinion of the court:

[1, 2] The Interstate Commerce Commission, acting under § 19(a) of the Interstate Commerce Act,¹ ordered the appellant to furnish certain inventories, schedules, maps, and charts of its pipe-line property.² Champlin's objections that the act does not authorize the order, or if

it be construed to do so is unconstitutional, were overruled by the Commission and again by the district court which dismissed the company's suit for an injunction.³ These questions of law are brought here by appeal. Judicial Code, § 238, 28 USCA § 345, 8 FCA title 28, § 345.

Champlin owns and operates a line of 6-inch pipe, 516 miles in length, lying in five states. Originating at Champlin's Enid, Oklahoma refinery, it crosses Kansas, Nebraska, a part of South Dakota, and ends in Iowa. It is used only to convey the company's own refinery products to its own terminal stations at Hutchinson, Kansas, Superior, Nebraska, and Rock Rapids, Iowa, at each of which the line con-

¹ "... the Commission shall . . . investigate, ascertain, and report the value of all the property owned or used by every common carrier subject to the provisions of this act. . . . The Commission shall make an inventory which shall list the property of every common carrier subject to the provisions of this act in detail, and show the value thereof as hereinafter provided, and shall classify the physical property, as nearly as practicable, in conformity with classification of expenditures for road and equipment, as prescribed by the Interstate Commerce Commission." [March 1, 1913] 37 Stat 701, Chap 92, 49 USCA § 19a, 10A FCA title 49, § 19a.

² On May 15, 1941, the Interstate Commerce Commission, by letter addressed to the president of the Champlin Refining Company, requested that the company prepare and file with the Commission "a complete inventory of the pipe-line property of the Champlin Refining Company, except land, showing the quantities, units, classes, kinds, and condition thereof." The Commission enclosed with its letter copies of its Valuation Orders Nos. 26 and 27, with which the inventory was to comply. The Champlin Company did not respond to the request in a manner satisfactory to the Commission, and on June 12, 1944, the

Commission made the order of which the company here complains. It directed the company to comply with the provisions of Valuation Orders Nos. 26 and 27 within ninety days of the service of the order.

³ In response to the Commission's letter of May 15, 1941, the Champlin Company filed with the Commission information and charts which it believed would satisfy the Commission's request. The Commission, however, returned that report to the company, because in it the company had not recognized that it was a statutory common carrier and had not compiled the report from that viewpoint. The company then requested a hearing before the Commission to determine its status. On December 14, 1942, and on reargument, June 12, 1944, the Commission decided that appellant is a common carrier subject to the provisions of the act. After the Commission had issued its supplementary order of June 12, 1944, appellant petitioned the district court for an injunction against the order. In accordance with §§ 46 and 47 of title 28, USCA, 7 FCA title 28, §§ 46 and 47, the district judge convened a three-judge court, which heard the case and dismissed appellant's petition.

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nects with storage facilities from which deliveries are made.

The statute, so far as relevant, says that it shall apply "to common carriers engaged in" "transportation of oil or other commodity" by pipe line from one state to another. It provides also, that "common carrier" includes "all pipe-line companies."⁴ This language on its face would seem to cover the appellant's operation.

Champlin contends, however, that the "transportation" mentioned in the act does not refer to the carriage of one's own goods. The district court has found that Champlin is the sole owner of the products transported through its pipe line; it has never transported, offered to transport, or been asked to transport any products belonging to any other company or person; its pipe line does not connect with any other pipe line but only with storage tanks at the three terminal points; there are no facilities for putting any petroleum product into the line other than at the Enid refinery; delivery of the products at the three terminal points is made from Champlin's storage tanks by means of truck racks or railroad tank-car racks and is not made directly from the pipe line in any instance; no tariffs stating transportation charges have been filed with the Interstate Commerce Com-

mission or with any state Commission or regulatory body.

Because of these facts the appellant suggests that the language and holding of this court concerning the Uncle Sam Oil Company in Pipe Line Cases (United States v. Ohio Oil Co. [1914]) 234 US 548, 58 L ed 1459, 34 S Ct 956, approved in Valvoline Oil Co. v. United States (1939) 308 US 141, 84 L ed 151, 60 S Ct 160, govern this case. The Uncle Sam Company operation is described as "simply drawing oil from its own wells across a state line to its own refinery for its own use, and that is all. . . ." Pipe Line Cases (United States v. Ohio Oil Co.) *supra*, 234 US at p. 562. The court considered this was not "transportation" within the meaning of the act.

But we think it would expand the actual holding of that case to apply its conclusion to Champlin. The controlling fact under the statute is transporting commodities from state to state by pipe line. Admittedly Champlin is not a common carrier in the sense of the common-law carrier for hire. However, the act does not stop at this but goes on to say that its use of the term "common carrier" is to include all pipe-line companies—a meaningless addition if it thereby included only what the term without more always had included. While Champlin

⁴ § 1. "(1) That the provisions of this act shall apply to common carriers engaged in—

"(b) The transportation of oil or other commodity . . . by pipe line . . . from one state . . . to any other state

"(3) (a) The term 'common carrier' as used in this act shall include all pipe-line companies; express companies; sleeping-car companies; and all persons, natural or artificial, engaged in such transportation as afore-

said as common carriers for hire." [February 28, 1920] 41 Stat 471, Chap 91, as amended [June 19, 1934] 48 Stat 1102, Chap 652, 49 USCA § 1, 10A FCA title 49, § 1. The last words of § 1(3)(a), "engaged in such transportation as aforesaid as common carriers for hire," do "not affect the generality of the first clause as to pipe-line companies." Valvoline Oil Co. v. United States (1939) 308 US 141, 146, 84 L ed 151, 154, 60 S Ct 160.

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technically is transporting its own oil, manufacturing processes have been completed; the oil is not being moved for Champlin's own use. These interstate facilities are operated to put its finished products in the market in interstate commerce at the greatest economic advantage.

Examination of Champlin's pricing methods supports the view that appellant is engaged in transportation even though the products are still its own when moved. The district court found that price at the terminal points includes f. o. b. price at the Enid refinery and an additional sum called a differential. The differential is the through railroad freight rate from Enid to the final destination (usually the purchaser's place of business) less the carrying charges from the pipeline terminal to final destination. The district court found, however, that competitive and other conditions "sometimes cause departures from the prices arrived at in accordance with the formula above described." Appellant states that as to some deliveries "rail rates were used merely as a basis for calculating a delivered price, not as a charge for transportation." Even so, and even though departures from the calculated differential are substantial and frequent, we think this practice points up a significant distinction from the Uncle Sam Case.

We hold that Champlin's operation is transportation within the meaning of the act and that the statute supports the Commission's order to furnish information.

[3, 4] Appellant further contends that, as so construed, the act exceeds the commerce power of Congress and violates the due process clause of the

Fifth Amendment because it is argued that this interpretation converts a private pipe line into a public utility and requires a private carrier to become a common carrier. But our conclusion rests on no such basis and affords no such implication. The power of Congress to regulate interstate commerce is not dependent on the technical common-carrier status but is quite as extensive over a private carrier. This power has yet been invoked only to the extent of requiring Champlin to furnish certain information as to facilities being used in interstate marketing of its products. The commerce power is adequate to support this requirement whether appellant be considered a private carrier or a common carrier.

[5] The contention that the statute as so construed violates the due process clause by imposing upon a private carrier the obligations of a conventional common carrier for hire is too premature and hypothetical to warrant consideration on this record. The appellant in its entire period of operation has never been asked to carry the products of another and may never be. So far, the Commission has made no order which changes the appellant's obligations to any other company or person. If it does, it will be timely to consider concrete requirements and their specific effects on appellant. At present, appellant is asked only to provide information about a subject within the power possessed by Congress and delegated to the Commission, and that cannot be considered a taking of property even if it arouses appellant's premonitions.

We hold that the order before us is authorized by statute and that in this respect the statute is within the com-

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merce power and does not offend the Fifth Amendment.

Affirmed.

Mr. Justice REED, with whom Mr. Justice FRANKFURTER, Mr. Justice DOUGLAS and Mr. Justice BURTON join, dissenting: This appeal brings into question the extent to which the Interstate Commerce Act covers pipe lines by virtue of the provisions of § 1 and § 19a.¹ Acting under the authority of these sections, the Interstate Commerce Commission called upon the appellant, Champlin Refining Company, for reports deemed appropriate for it to make, if it is a common carrier under the act. The appellant challenged the Commission's order on the ground that it was not covered by the sections.

Champlin owns a pipe line for the carriage of oil or other similar commodity from its refinery in Oklahoma to various distributing points in other states. It carries no commodities except its own produced in its own refinery and delivered at the ends of the pipe line into its own storage or holding tanks for sale to its customers. It also is sole owner of the stock of the Cimarron Valley Pipe Line Company, admittedly an intrastate common carrier, that supplies the Champlin refin-

ery with its crude oil. The Commission's orders for valuation reports do not treat Champlin and Cimarron as a unitary operation. The Commission, at this bar, disclaimed expressly any intention to test the subjection of Champlin's distributing pipe line to Commission power by Champlin's ownership of the Cimarron stock. As the court treats the situation as though Champlin's distributing pipe line, between the refinery and the sale tanks only, were involved, we accept for the purpose of this dissent the Commission's view of the test to be applied to Champlin.

Section 1 of the act applies its provisions to "common carriers engaged in the transportation of oil" or similar commodities. In *Pipe Line Cases* (*United States v. Ohio Oil Co.* [1914]) 234 US 548, 58 L ed 1459, 34 S Ct 956, and *Valvoline Oil Co. v. United States* (1939) 308 US 141, 84 L ed 151, 60 S Ct 160, this court interpreted the term "common carrier" to include all interstate pipe-line companies that are engaged, within the purview of the act, in the transportation of oil. In these cases, pipe-line companies that carried only their own oil, although all or a large part of it was purchased from producers prior

¹ 49 USCA § 1:

"(1) . . . The provisions of this chapter shall apply to common carriers engaged in—

"(b) The transportation of oil or other commodity, except water and except natural or artificial gas, by pipe line, or partly by pipe line and partly by railroad or by water;

"(3) (a) The term 'common carrier' as used in this chapter shall include all pipe-line companies; express companies; sleeping-car companies; and all persons, natural or artificial, engaged in such transportation as aforesaid as common carriers for hire. . . ."

49 USCA § 19a:

" . . . The Commission shall . . . investigate, ascertain, and report the value of all the property owned or used by every common carrier subject to the provisions of this chapter. . . . The Commission shall . . . make an inventory which shall list the property of every common carrier subject to the provisions of this chapter in detail, and show the value thereof as hereinafter provided, and shall classify the physical property, as nearly as practicable, in conformity with the classification of expenditures for road and equipment, as prescribed by the Interstate Commerce Commission."

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to its carriage in the pipe lines, were held common carriers within the meaning and purpose of the act, though not common carriers in the technical sense of holding oneself out to carry indiscriminately all oil offered, because the act's evident purpose was to bring within its scope all pipe lines that would carry all oil offered "if only the offerers would sell" at the carrier's price. In the Valvoline Case, this interpretation of the 1906 Act [June 29] 34 Stat 584, Chap 3591, 49 USCA § 1, was found to have been carried into the act, as amended in 1920, 41 Stat 474, Chap 91, despite certain changes in language. *Supra*, 308 US at p. 145, 84 L ed at p. 154.

It is to be noted, however, that the Pipe Line and Valvoline Cases did not bring within the scope of the Interstate Commerce Act all pipe lines that carried oil interstate. If the companies were common carriers in substance, the act made them so in form. Those pipe lines held covered by the act in Pipe Line Cases and Valvoline were found common carriers in substance because they purchased and carried all oil offered. The Interstate Commerce Act continually has required such carriers to be engaged in the transportation of oil or other commodities. In Pipe Line Cases, a company, Uncle Sam Oil Company, though a pipe line carrying oil, was held beyond the act's reach because not engaged in the transportation of oil as a common carrier within the purpose of the act.

"When, as in this case, a company

is simply drawing oil from its own wells across 'a state line to its own refinery' for its own use, and that is all, we do not regard it as falling within the description of the act, the transportation being merely an incident to use at the end." 234 US at p. 562, 58 L ed at p. 1471.

There has been no change bearing on this question in the applicable acts since Pipe Line Cases. As a matter of statutory construction, we see no reason to change from this court's longstanding interpretation. If Congress desires to undertake regulation of the transportation of an interstate carrier, in substance a private carrier, it understands the method of approach. 49 USCA § 304(a) (3), 10A FCA title 49, § 304(a) (3). There is no pertinent legislative history to support so broad an interpretation of pipe-line legislation. The evil sought to be remedied was the mastery of oil through control of the gathering facilities.² If a line does not carry oil of others, it is not transporting within the contemplation of the act.

In the Uncle Sam Case it was said that the transportation of oil from well to refinery was "merely an incident to use at the end." We see no difference between the use contemplated by the Uncle Sam Company and this company. Each carries its own oil for the same ultimate purpose—to reach the market.

Nor can we see any significant distinction from the Uncle Sam Case in the practice of Champlin to use frequently the freight rate from Enid to

² 234 US at pp. 558, 559, 58 L ed at p. 1470, 34 S Ct 956:

"By the before-mentioned and subordinate lines the Standard Oil Company had made itself master of the only practicable oil trans-

portation between the oil fields east of California and the Atlantic ocean, and carried much the greater part of the oil between those points."

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the final destination as a measure of the addition to Enid refinery, f. o. b. price that it will charge at its distributing tanks. This practice is departed from to meet competition. Naturally some transportation cost must be added to the refinery price for deliveries elsewhere. How much it is or how it is calculated does not seem to us to bear upon the question of whether Champlin is "a common carrier engaged in the transportation of oil" within the scope of the act.

We would have a very different case than the one before us if Congress had provided that all owners of pipe lines carrying oil in interstate commerce should give appropriate information to the Interstate Commerce Commission. This is not what § 19a does. It requires reports only from "every common carrier subject to the provisions" of the act. When an enterprise is "subject to the provisions" of the act is defined by § 1(1)(b) and § 1(3).

Therefore, it is not § 19a but § 1 that must be construed. The definition of § 1 flows not only into § 19a but also into various other sections. Once an enterprise is found to be included in § 1, the Interstate Commerce Act subjects it to § 19a and other provisions dealing with common carriers "subject to" the act. Thus, to give several instances, it must provide equal and reasonable transportation to all comers (§ 1(4)-(6)); and it must file a schedule of rates (§ 6(1)). If, therefore, any doubt is felt about the applicability of some of these requirements, the doubts are properly to be taken into account in determining the scope of § 1. The range of servitudes to which this pipe line is subjected by including it in § 1 bears vitally upon whether such a construction should be given to § 1.

For the reasons detailed above, we do not think that Champlin is covered by the act and we would reverse the decree of the district court.

FEDERAL POWER COMMISSION

Re First Iowa Hydro-Electric Cooperative

Opinion No. 142, Project No. 1853

September 24, 1946

PETITION by state of Iowa to reopen question of Federal jurisdiction over power project; denied. For earlier proceedings, see (1946) — US —, 90 L ed —, 63 PUR(NS) 193, 66 S Ct 906; (1945) 80 US App DC 211, 60 PUR(NS) 343, 151 F2d 20; (1944) 52 PUR(NS) 82.

Water, § 18.1 — Power project — Federal license — Necessity.

A license under the Federal Power Act is required for the construction, operation, and maintenance of a power project in a river when the project would affect the interests of interstate commerce or occupy public lands of the United States, aside from the matter of navigability of the river.

FEDERAL POWER COMMISSION

By the COMMISSION: By petition filed June 28, 1946, as supplemented on August 26, 1946, the state of Iowa ("intervener") seeks to reopen the question of the Commission's jurisdiction over the proposed Project No. 1853 of the First Iowa Hydro-Electric Cooperative on the Cedar and Mississippi rivers near Moscow, Iowa. The state also seeks to have the Commission broaden the scope of its order dated August 6, 1946, so as to permit, among other things, the receipt of evidence concerning the Commission's jurisdiction over the project.¹

The description of the proposed project and the history of proceedings before the Commission are set forth in the opinion of the Supreme Court rendered on April 29, 1946.²

While counsel for the state make numerous contentions in support of the present petition as supplemented, it appears that all of them revolve around the claim that the Cedar and Iowa rivers are not navigable waters of the United States and, therefore, the project is not within the Commission's jurisdiction under the Federal Power Act, 16 USCA § 791a, hereinafter called the "Act." It is also contended that the state did not have notice of the proceeding on the declaration of intention in which the Commission on June 3, 1941, found among other things that the Cedar and Iowa rivers are navigable waters of the United States; and it is claimed that such findings are ex parte and not binding on the state.

The declaration of intention was

filed and the Commission made its investigation and findings under § 23(b) of the Act, 16 USCA § 817, which does not require notice or opportunity for a hearing. When the declaration of intention to construct the proposed project was filed and the investigation and findings were made thereon, the Commission had not adopted any regulation providing for notice thereon. As a matter of courtesy to the state in which a proposed project was to be constructed the Commission did, however, have an established policy of advising the governor or other responsible state officials of the filing of a declaration of intention inviting information and comments from the state.

The Commission followed its usual practice when by letter of February 7, 1940, it advised the governor of the state of Iowa of the filing of the original declaration of intention. Having received no response to the notice and invitation on the original declaration of intention, the Commission did not advise state officials of the filing of the supplement. However, on June 3, 1941, the date the Commission made its findings on the declaration of intention as supplemented, it transmitted a copy of the findings to the State Commerce Commission, Des Moines, Iowa, but had no response thereto.

In its present petition, as supplemented, the state denies receipt of the letter of February 7, 1940, or of any notice of the filing of the original declaration of intention. It is possible, of course, that the letter of February

¹ After remand of the application to the Commission pursuant to the opinion of the Supreme Court, the Commission on August 6, 1946, upon further consideration of the record, ordered a further hearing limited to the re-

ceipt of additional evidence concerning the design and economic feasibility of the proposed project.

² — US —, — L ed —, 63 PUR(NS) 193, 66 S Ct 906.

RE FIRST IOWA HYDRO-ELECTRIC COOPERATIVE

7, 1940, did not reach the governor. On the other hand, the lack of response may be explained as the state said in its petition for rehearing before the Supreme Court: "It is fair to assume that when the original letter of February 7, 1940, was received by the governor of Iowa advising of the filing of the original declaration of intention to build the original project which did not include the diversion of the water of the river, that the governor did not deem that the proposal merited or required the wasting of any time in appearing in connection with it."

But even if the state did not receive the notice of the filing of the original declaration of intention, or the copy of the finding of June 3, 1941, it does not appear that the state has suffered any legal injury absent some statutory or constitutional requirement for notice to the state.

Section 23(b) of the Act requires that we cause immediate investigation to be made of any proposed construction brought to our attention by a declarant. The manner and method of conducting the investigation has been left to the judgment and discretion of the Commission. We adopted the most appropriate method for this case and caused an investigation to be made by the staff and found on June 3, 1941, that the proposed project was within the jurisdiction of the Commission on three grounds, namely, that the Cedar and Iowa rivers are navigable waters of the United States; that the proposed project will affect the flow of navigable waters of the United States including the Mississippi river

at Muscatine, Iowa, and the interests of interstate commerce would be affected by the proposed construction; and that certain public lands of the United States described therein would be affected by the proposed project.

In its petition, as supplemented, the state requests that the Commission modify or set aside its findings entered June 3, 1941, "in so far as they may be claimed to determine that the Cedar and Iowa rivers are navigable waters of the United States, and in so far as they may be claimed to determine that the Commission has jurisdiction to affirmatively authorize the construction and operation of the project in issue." The state also requests that the Commission reconsider the order dated August 6, 1946, so as to provide a hearing on the question of navigability of the Cedar and Iowa rivers and it refers to certain evidence which it proposes to offer, concerning the navigability of these rivers.

The evidentiary material to which the state specifically refers in its petition was considered by us in making our 1941 findings. The state leans heavily on the act of May 6, 1870 (16 Stat 121), and the act of August 18, 1894 (28 Stat 356; 33 USCA § 31), which were called to the attention of the Supreme Court in state's original brief, and the court said that "the project is clearly within the jurisdiction of the Commission under the Federal Power Act."³ In its petition for rehearing before the Supreme Court the state again called the court's attention to the acts of May 6, 1870, and August 18, 1894.⁴ Re-

³ Note 2, *supra*, 63 PUR(NS) at p. 198.

⁴ In its petition for rehearing before the Supreme Court the state said:

"At this point we desire to call the atten-

tion of the court again as we did on page 40 of our brief on the original submission, to the point that Congress determined the fact and by enactments gave expression to the fact that

FEDERAL POWER COMMISSION

hearing was denied on May 27, 1946.⁵

Although it questions our finding of the navigability of the Cedar and Iowa rivers, the state does not question the merits of our finding that by reason of the diversion of water from the Cedar to the Mississippi river the project would affect the interests of interstate commerce, nor that it would occupy certain public lands of the United States. Either one of the latter two grounds of jurisdiction would be sufficient to require a license under the Act for the construction, operation and maintenance of the project.⁶

The Supreme Court has said that "for the purposes of this application it is settled that the project will affect the navigability of the Cedar, Iowa,

and Mississippi rivers, each of which has been determined to be a part of the navigable waters of the United States; will affect the interests of interstate commerce; will flood certain public lands of the United States; and will require for its construction a license from the Commission."⁷ But, if those questions had not been settled, the application and the record thereon contains ample evidence of the Commission's jurisdiction over the project under the Act.

Accordingly we are of the opinion that the request of the state for further evidence and discussion of the question of navigability of the Cedar and Iowa rivers should be denied. An appropriate order will be entered.

the Iowa river from approximately its point of junction with the Mississippi river and for a distance of 20 miles from that junction and to a point above the town of Wapello located upon the Iowa river is not a navigable river or a public highway. We again set out these enactments for the information of the court:

"Acts of Congress of May 6, 1870. (Iowa river.) So much of the Iowa river within the state of Iowa, as lies north of the town of Wapello shall not be deemed a navigable river or public highway, but dams and bridges may be constructed across it. (Rev. Stat. 1878, § 5278, 33 USCA § 31.)

"Acts of Congress of August 18, 1894. So much of the Iowa river within the state of Iowa as lies between the town of Toolsboro and the town of Wapello in the county of Louisa, shall not be deemed a navigable river or public highway, but dams and bridges may be constructed across it. (Chap 299, 53rd Congress, 2nd Session, 33 USCA § 31.)"

⁵ — US —, — L ed —, 66 S Ct 1336.

⁶ Note 2, *supra*, 63 PUR(NS) at p. 203, 66 S Ct at p. 915; see also Georgia Power Co. v. Federal Power Commission (1946) 62 PUR(NS) 143, 152 F2d 908, 913.

⁷ Note 2 *supra*, 63 PUR(NS) at p. 198, 66 S Ct at p. 911.

LA MAR v. COMMONWEALTH TELEPHONE CO.

WISCONSIN PUBLIC SERVICE COMMISSION

Mrs. Max La Mar
v.
Commonwealth Telephone Company
et al.

2-U-2196
October 21, 1946

COMPLAINT by prospective customer against telephone company for refusal to extend service; extension ordered.

Service, § 132 — Duty to serve — Customer within area of undertaking — Duplication of facilities.

1. A telephone utility has a duty to serve all residents of the area of its undertaking even though duplication of facilities results in certain cases, p. 76.

Service, § 121 — Duty to serve — Area of undertaking — Relevant factors.

2. The residence of a prospective customer was held to be within the area of the undertaking of a telephone company, and entitled to service, from the facts that the utility offered no objection to a map showing that the residence was within its area and conceded that its refusal to render service on request was based on an erroneous conception of a delineation agreement with another company, p. 76.

Service, § 132 — Right of public to reasonable service — Consent of utility.

Statement, in dissenting opinion, that the right of the public to reasonably adequate service from both utilities whose undertakings cover an area does not depend upon the consent of one of the companies to be governed by the decision of the Commission as to which should serve a certain resident, p. 77.

Service, § 445 — Telephones — Extension of service — Social and business relationship — Duplication of facilities.

Statement that if a subscriber of a telephone exchange can demand that such exchange be extended so as to follow him when he moves into an area already served by another exchange, solely because of his desire to perpetuate past social and business relationships, there will be no limit to the duplication of lines and the purpose of the Anti-duplication Act would be frustrated, p. 78.

(BRYAN, Commissioner, dissents.)

By the COMMISSION: In May, Baraboo, Sauk county, complained to 1946, Mrs. Max La Mar, Route #1, the Commission that the Baraboo

WISCONSIN PUBLIC SERVICE COMMISSION

Farmers Mutual Telephone Company would not extend telephone service to her because the La Mar premises were allegedly within the territory served from the Wisconsin Dells exchange of Commonwealth Telephone Company.

Notice of investigation and hearing and assessment of costs was issued on July 9, 1946.

APPEARANCES: Mrs. Max La Mar, Baraboo, for the complainant; Commonwealth Telephone Company, by H. W. Pike, Vice President, Madison, and Baraboo Farmers Mutual Telephone Company, by Irvin Bump, Secretary, Baraboo, for the respondents; K. J. Jackson, rates and research department, of the Commission Staff.

The La Mar premises are located on county trunk highway A in the southeast 1/4 of the southeast 1/4 of section 26, town of Delton, Sauk county. It is about 3-3/4 miles, air-line distance, from Wisconsin Dells and 6-1/4 miles, air-line distance, from Baraboo. Pole-line facilities of Commonwealth Telephone Company extend past the premises serving a customer who is about 845 feet to the south. In order to serve La Mar, the Baraboo Farmers Mutual Telephone Company would have to extend its line 1,715 feet north, which would duplicate the line of Commonwealth Telephone Company for 845 feet.

Commonwealth Telephone Company objects to the extension of service by the Baraboo Farmers Mutual Telephone Company as it considers the La Mar premises to be within the territory that it serves from its Wisconsin Dells exchange, and because such extension would duplicate its lines for a distance of 845 feet.

The Baraboo Farmers Mutual Telephone Company operates in rural territory adjacent to the city of Baraboo and obtains switching service at the Baraboo exchange of Wisconsin Telephone Company. From the testimony it appears that it declined to extend its lines to the La Mar premises because it considered the area to be within Commonwealth Telephone Company territory. However, the secretary of the Baraboo Farmers Mutual Telephone Company stated in his testimony that that company is willing to serve Mrs. La Mar if the Commission directed it to do so.

[1, 2] There was submitted in evidence an exchange area boundary line map which had been filed with the Commission by Wisconsin Telephone Company on February 28, 1945, together with proof of service of copies of such map signed by the Commonwealth Telephone Company and Baraboo Farmers Mutual Telephone Company. This map purports to delineate the boundary and territory in which the Baraboo Farmers Mutual Telephone Company now serves and will serve the public, and also shows a boundary line between areas in which Commonwealth Telephone Company and the Baraboo Farmers Mutual Telephone Company, particularly in section 26, town of Delton, Sauk county, are serving or are willing to serve. Such boundary line shows that the southeast 1/4 of the southeast 1/4 of section 26 is within the service undertaking of Baraboo Farmers Mutual Telephone Company. Inasmuch as the Baraboo Farmers Mutual Telephone Company offered no objection to the boundary line above referred to as indicated by the map filed by Wis-

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consin Telephone Company and the refusal of the Baraboo Farmers Mutual Telephone Company to give the service requested by Mrs. La Mar was evidently based upon an erroneous conception of an agreement between it and Commonwealth Telephone Company, and is really willing to give such service, the Commission concludes that the undertaking of service of the Baraboo Farmers Mutual Telephone Company includes service to Mrs. La Mar at her premises located in the southeast 1/4 of the southeast 1/4 of section 26, town of Delton, Sauk county.

The Commission finds:

That the undertaking of service of Baraboo Farmers Mutual Telephone Company in the town of Delton, Sauk county, includes service to the Max La Mar premises in the southeast 1/4 of the southeast 1/4 of section 26, of such town, and that reasonably adequate service requires that service from the Baraboo Farmers Mutual Telephone Company be furnished said Max La Mar.

The Commission therefore concludes:

That Baraboo Farmers Mutual Telephone Company should be required to extend service to the said premises of Max La Mar.

ORDER

It is therefore *ordered*:

That the Baraboo Farmers Mutual Telephone Company be and hereby is directed to extend service to the Max La Mar premises in section 26, town of Delton, Sauk county.

BRYAN, Commissioner, dissenting: The majority finds that the undertaking of service of the Baraboo Farmers

Mutual Telephone Company includes service to the premises of Max La Mar in the town of Delton. With this finding I agree. However, I also consider that both this company and the Commonwealth Telephone Company, by virtue of rendering local service in that town, have assumed an undertaking of service for the entire town of Delton. See § 196.50(2) and §§ 196.26 to 196.30, Statutes, inclusive.

The majority concludes that the undertaking of the Baraboo Farmers Mutual Telephone Company includes service to the La Mar premises because its secretary testified that he thought his company would be willing to make the extension if directed to do so by the Commission. The right of the public to reasonably adequate service from each of these public utilities does not hang by so slender a thread as the consent of one of the companies to be governed by the decision of the Commission. It is, on the contrary, firmly based on the statutes above cited. Each of the telephone companies owes a duty to extend its facilities in the town of Delton where such an extension is found by the Commission to be necessary for the reasonably adequate service of the public. To hold otherwise is to nullify the power conferred upon the Commission by the legislature.

While the majority finds that reasonably adequate service requires the extension, the facts relied upon are not discussed. The testimony shows that the La Mars moved to the farm in question less than two years ago from another farm which was served by the Baraboo Farmers Mutual Telephone Company. They made no investigation at that time as to the availability

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of Baraboo exchange telephone service at the new location. Naturally, their social and business relationships, formed over many years, tie them closer to Baraboo than to Wisconsin Dells, and it is only natural to desire to perpetuate them. Anyone who moves from one community to another is likely to experience similar desire. Deep roots pull hard. However, there is no reason to believe that if the La Mars should sell this farm, the subsequent owner would not prefer the Commonwealth Telephone Company's Wisconsin Dells exchange service which is now available at the farm. If so, the extension now proposed, in duplication of the existing lines, would become useless. The fact that the duplication of lines involved is only 845 feet does not change the principle. If

a subscriber of a telephone exchange can demand that such exchange be extended so as to follow him when he moves into an area already served by another exchange, solely because of his desire to perpetuate past social and business relationships, there would be no limit to the duplication of lines and the beneficent purposes of the Anti-Duplication Act (§ 196.50 (2) Statutes) would be frustrated. See *Re La Crosse Teleph. Co.* File U-2714, July 18, 1922, 26 Wis RCR 848.

The record, in my opinion, fails to disclose facts which warrant a finding that the extension sought by the complainant is necessary for the reasonably adequate service of the public.

Therefore, it is my conclusion that the complaint should be dismissed.

NEW YORK PUBLIC SERVICE COMMISSION

Re Westchester Lighting Company

Case 12329
September 25, 1946

PETITION for approval of reduction in stated value of gas and electric company's no-par value stock, and for authority to credit the resulting reduction in capital to unearned surplus; granted subject to conditions.

Accounting, § 56.2 — Capital changes — Common stock — Reduction in stated value — Write-off of impairment.

Reduction of the stated value of a gas and electric company's common stock and accompanying increase in its unearned surplus account, in order to provide for the ultimate writing off of balance sheet impairments, was deemed desirable and in the public interest, subject to the conditions that the company should record the write-down in a subaccount of Account 270, designated as "Unearned Surplus-Special" to be used exclusively for the purpose of adjusting the balance sheet accounts of the company, and that no charges or credits be made to this subaccount unless authorized by further Commission order.

RE WESTCHESTER LIGHTING CO.

APPEARANCES: Phillip Halpern, Counsel (by Raymond J. McVeigh, Assistant Counsel), for the Public Service Commission; Whitman, Ransom, Coulson & Goetz (by Richard Smith and Cameron F. MacRae), New York city, Attorneys, for Westchester Lighting Company.

BURRITT, Commissioner: By a petition verified February 5, 1946, Westchester Lighting Company (hereinafter referred to as Westchester Company) asks approval of a \$7,524,000 reduction in the aggregate stated value of its 836,000 presently outstanding shares of no-par value common stock from \$36,784,000 to \$29,260,000 and further asks approval to credit Account 270 Unearned Surplus in the amount of such reduction or \$7,524,000. Public hearings were held in New York city on March 22, 1946, April 5, 1946, and May 27, 1946, and a memorandum was filed by the petitioner on June 29, 1946.

The Westchester Company was incorporated November 5, 1900, under the Transportation Corporations Law of the state of New York and is a "gas and electric corporation" within the meaning of Art. 2 of said law. It has been and is engaged in the distribution and sale of both gas and electric energy to the public in Westchester county, New York, and the distribution and sale of electric energy to the public in a portion of Bronx borough, New York city. By a petition in Case 12316 the Westchester Company asked approval to transfer and sell all its electric plant and franchises located in the borough of the Bronx, New York city, to the Consolidated Edison Company of New York, Inc., and on August 6, 1946, the Commission ap-

proved a memorandum recommending a transfer.

The petition in the present case recites that, "pending a determination by the Commission of adjustments to be made in petitioner's accounts, the petitioner is unable to state the specified purposes for which the surplus resulting from the proposed reduction is to be reserved and used." It indicates, however, that while this surplus will be used for any purpose for which surplus may be used, no distribution of assets to stockholders will be made in connection therewith. The petitioner's witness stated that it is anticipated that the surplus resulting from the proposed reduction in capital will be utilized in connection with adjustments of the balance sheet accounts that may be determined upon at a later date. He further stated that these adjustments for the most part will relate to clearing up Westchester Company's Acquisition Adjustment Account.

Securities Outstanding

The Westchester Company has no authorized or outstanding preferred stock at the present time, all previously issued preferred stock having been converted into common stock prior to 1928. It has 1,000,000 shares of no-par value common stock authorized of which 836,000 shares are outstanding. Prior to July 13, 1937, these 836,000 outstanding shares of no-par value common stock had an aggregate stated value of \$41,800,000. By Commission order dated July 13, 1937, in Case 9202, the aggregate stated value of the 836,000 shares of common stock was reduced by \$5,016,000 to the present stated value of \$36,784,000 and the \$5,016,000 reduction was transferred

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to Unearned Surplus. This \$5,016,000 increase in Unearned Surplus in 1937 was for the purpose of meeting contemplated adjustments or changes in assets which might be required. The record shows, however, that only two transactions have taken place in this account since that time, namely a debit of \$825,349 in 1937 and a credit of \$960,267 in 1938, so that the present balance in this account amounts to \$5,150,918. The petitioner now proposes a further reduction of \$7,524,000 (and a transfer of the \$7,524,000 to Unearned Surplus) in the aggregate stated value of the 836,000 shares of no-par value common stock, thus reducing same from \$36,784,000 to \$29,260,000 or from \$44 to \$35 per share and increasing the balance in the Unearned Surplus Account from \$5,150,918 to \$12,674,918.

The record further shows that all the 836,000 shares of Westchester Company no-par value common stock are owned by the Consolidated Edison Company of New York. The 1945 Annual Report to the Commission of the Consolidated Edison Company of New York shows the ownership of these shares of Westchester Company common stock at a book cost to Consolidated Edison Company of \$29,300,000 or approximately \$35.05 per share. It thus appears that the present proposal contemplates reducing the aggregate stated value of these 836,000 shares of common stock on the books of the Westchester Company to an amount closely approximating the reported book cost of same to the Consolidated Edison Company of New York. The petitioner presented in Exhibit 2 a certified copy of resolutions of the board of trustees of Con-

solidated Edison Company of New York consenting to the reduction of capital of the Westchester Company and to the change of statement respecting the capital of the latter company. It also presented in Exhibit 3 a copy of a certificate of change of statement respecting capital and reduction of capital of the Westchester Company (pursuant to § 36 of the Stock Corporation Law) which is proposed to be filed and also in Exhibit 1 a certified copy of resolutions of the board of directors of the Westchester Company authorizing the reduction of capital and the filing of the above certificate respecting change of capital.

As of December 31, 1945, the Westchester Company had the following long-term debt outstanding:

Westchester Lighting Co.—First Mortgage, 5% 50-Year Gold Bonds due December 1, 1950 ..	\$8,684,000
Westchester Lighting Co.—General Mortgage Bonds, 3½% Series due July 1, 1967	25,000,000
New York and Westchester Lighting Co. General Mortgage 100-year Gold Coupon Bonds 4% due July 1, 2004	10,000,000
Total long-term debt	\$43,684,000

Financial Statements

The petitioner presented in Exhibit 4 a statement of its financial condition as of December 31, 1945, which included the balance sheet of the Westchester Company (per books) as of December 31, 1945. This is shown (in rounded dollars) in Table I. Exhibit 4 also included the income statement (per books) of the Westchester Company for the calendar year 1945 which is shown (in rounded dollars) on Table II. It is pertinent to point out here that the balance sheet shows under Assets and Other Debits an

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amount of \$11,687,608 in the Plant Acquisition Adjustment Account and total Surplus (including \$282,640 Earned Surplus) of \$5,433,558 under Liabilities and Other Credits. The balance sheet also includes \$801,005 for Property Held for Future Use representing land and land rights for

the location of a proposed transmission line. Attention is also called to Table II taken from the company's Exhibit 4 which indicates that the manufactured gas business of the Westchester Company was operated at a loss in 1945 according to the company's unadjusted book figures.

TABLE I

Balance Sheet of Westchester Lighting Company Per Books as of December 31, 1945
(Rounded Dollars)

<i>Assets and Other Debits</i>		<i>Liabilities and Other Credits</i>	
Electric plant in service	\$43,226,922	Common capital stock	\$36,784,000
Gas plant in service-mfg. gas ...	30,041,952	Long-term debt-bonds	43,684,000
Common utility plant in service ..	6,662,567	Accounts payable	425,776
Construction work in progress ..	776,733	Payables to associated companies ..	768,963
Plant held for future use	801,005	Matured interest	14,482
Plant acquisition adjustments ...	11,687,608	Customers deposits	115,908
		Taxes accrued	685,862
Total utility plant	\$93,196,787	Interest accrued	677,421
Other physical property	348,996	Other current and accrued liabilities	160,645
Other investments	11,509		
Miscellaneous special funds	170,663	Total current and accrued liabilities	\$2,849,057
Total investment and fund accounts	\$531,168	Customers advances for construction	\$811,205
Cash	\$2,222,280	Other deferred credits	5,914
Special deposits	691,517		
Working funds	74,000	Total deferred credits	\$817,119
Temporary cash investments ...	2,000,000	Reserves for depreciation of plant ..	\$10,978,057
Accounts receivable	1,316,373	Reserve for depreciation and amortization of Common U. Plant	481,354
Receivables from associated companies	141,684	Reserve for uncollectible accounts	57,355
Interest and dividends receivable ..	2,945	Injuries and damages reserve ...	292,214
Rents receivable	14,983	Other reserves	3,058
Materials and supplies	758,391		
Prepayments	26,604	Total reserves	\$11,812,038
Total current and accrued assets	\$7,248,777	Unearned surplus	\$5,150,918
Unamortized debt discount and expense	92,845	Earned surplus	282,640
Other work in progress	268		
Other deferred debits	1,306	Total surplus	\$5,433,558
Total deferred debits	\$94,419		
Capital stock expense	308,621		
Total Assets and Other Debits ..	\$101,379,772	Total Liabilities and Other Credits ..	\$101,379,772

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TABLE II

Westchester Lighting Company Statement of Income for Calendar Year 1945
(Rounded Dollars)

	Electric	Manufactured Gas	Total
Operating revenues	\$13,729,277	\$7,858,862	\$21,588,139
Operation and maintenance	7,156,344	6,048,556	13,204,900
Depreciation	1,440,000	910,000	2,350,000
Operating taxes	1,808,548	1,031,145	2,839,693
Total operating revenue deductions	\$10,404,892	\$7,989,701	\$18,394,593
Operating income	3,324,385	130,839 R	3,193,546
Other income			2,944 R
Gross income			\$3,190,602
Interest on long-term debt			1,709,200
Amortization of debt discount and expense			4,318
Taxes assumed on interest			3,298
Interest on debt to associated companies			1,493
Other interest charges			4,061
Miscellaneous income deductions			79,615
Income taxes			513,750
Total income deductions			\$2,315,735
Net Income			\$874,867

R=Red figure

The Company's Proposals

As shown on Table I, the petitioner's balance sheet, the Utility Plant Account includes an amount of some \$11,687,608 in the Plant Acquisition Adjustment Account. The record shows that the principal purpose of reducing the stated value of the common stock and increasing the Unearned Surplus Account is to provide a sufficient amount in Unearned Surplus so that the \$11,687,608 in the Plant Acquisition Adjustment Account can eventually be eliminated by charging it off to Unearned Surplus. When and if this is done, this impairment to the soundness of the financial structure of the Westchester Company would be eliminated. While the petitioner pointed out that a few hundred thousand dollars of the Plant Acquisition Adjustment Account might eventually be charged off to the Deprecia-

tion Reserve instead of against Unearned Surplus and also that some additional items aggregating about \$400,000 might be added to the Plant Acquisition Adjustment Account these need not be considered in the present discussion.

At the end of 1945, \$5,150,918 is shown in the Unearned Surplus Account (Table I) which would be increased to \$12,674,918 by the petitioner's proposal herein. If the Plant Acquisition Adjustments of \$11,687,608 were eliminated the Earned Surplus of the company at that time would, of course, be wiped out and a deficit of around \$11,000,000 created. After providing for this deficit the company would have had \$1,269,950 of Unearned Surplus available for other balance sheet impairments as of December 31, 1945. However, this amount probably would be somewhat greater when the Acquisition Adjust-

RE WESTCHESTER LIGHTING CO.

ments are finally written off, due to the additional surplus earnings which will accumulate between December 31, 1945, and the date when this adjustment is recorded. Other than this the petitioner has made no further provision for any other balance sheet impairments.

The record shows, however, that there is another serious impairment to the financial structure of the Westchester Company in that there exists a deficiency in the amount shown in the Depreciation Reserve on the company's books. Mr. George E. Goldthwaite, consulting engineer for the Commission, estimated (in round preliminary figures) that the accrued depreciation as of December 31, 1945, applicable to the Westchester Company's \$79,931,000 Plant in Service at that date (and before the transfer of the Bronx property), amounted to \$23,700,000 whereas the company's book Depreciation Reserve at the same date amounted to \$11,459,411, indicating a deficiency of some \$12,240,589 in the company's book reserve. Mr. Goldthwaite accepted the \$79,931,000 Plant in Service on the company's books, as representing original cost. His estimate of the annual depreciation for this property was \$1,910,000, which compares with \$2,350,000 currently being charged by the company (Table II). The company did not cross-examine Mr. Goldthwaite, nor did it offer any evidence as to the accrued depreciation in the property, or as to the adequacy of its book Depreciation Reserves, contending that this question was not before the Commission in this case. This position of the company was again emphasized in its memorandum filed

with the Commission on June 29, 1946.

This impairment resulting from a deficiency in the Depreciation Reserve was also considered in Case 12,515 to which reference is made. However, this question is part of a larger matter which will no doubt receive consideration in connection with the other proceedings now before the Commission and need not be decided now.

In Case 12,316 the Westchester Company applied to the Commission for permission to sell to the Consolidated Edison Company of New York all of its electric properties located in the borough of the Bronx, New York city. In a memorandum dated July 30, 1946, approved by the Commission on August 6, 1946, examiner E. A. Bamman recommended approval of this sale and transfer, but the order has not yet been accepted by the company. If this transfer is made it will affect both the balance sheet and the earning statement of Westchester, the former relatively only slightly, and the latter to a somewhat greater extent. No consideration has been given to this proposed transfer in this report.

Summary and Conclusion

If the Westchester Company's proposals in the present case are carried out, its balance sheet would still be impaired to a considerable extent. One possible method of correcting this condition would be a further reduction of about \$11,000,000 in the stated value of the common stock with a concurrent increase in Unearned Surplus to be used in making up the deficiency in the Depreciation Reserve. Another alternative would be for the Consolidated Edison Company to make a donation

NEW YORK PUBLIC SERVICE COMMISSION

to its wholly owned subsidiary, the Westchester Company, sufficient to permit the latter company to eliminate the impairment to its financial position. These alternatives should have the consideration of the company.

The Westchester Company's proposals herein to reduce the stated value of its common stock and increase its Unearned Surplus Account in order to provide for the ultimate writing off of balance sheet impairments is desirable and in the public interest. Although it will not completely eliminate all impairments, it is a long step in the right direction and should be approved, leaving further steps for future action.

The secretary should be authorized

and directed to endorse the consent and approval of the Commission to the filing of the original of the "Certificate of Change of Statement Respecting Capital and Reduction of Capital of Westchester Lighting Company, Pursuant to § 36 of the Stock Corporation Law." The order to carry out this direction should include a provision requiring the company to record the write-down of \$7,524,000 in a sub-account of Account 270 designated as "Unearned Surplus-Special" to be used exclusively for the purpose of adjusting the balance sheet accounts of the company, and that no charges or credits are to be made to this sub-account unless authorized by further order of the Commission.

SECURITIES AND EXCHANGE COMMISSION

Re Standard Gas & Electric Company

File No. 68-79, Release No. 7020

November 29, 1946

PROCEEDING relating to proxy solicitation by holding company management and by opposition faction; rules relating to proxy solicitation prescribed.

Corporations, § 18.1 — Solicitation of proxies — Limitation on expenditures.

1. Expenditures from the treasury of a holding company in connection with proxy solicitation should be limited to the ordinary expenses of preparing, assembling, and mailing proxy solicitation material of the management plus \$1,000 under Rule U-65 of the Securities and Exchange Commission, in the absence of a showing of a satisfactory basis for expenditure of corporate funds for such purposes as employment of paid solicitors to aid the management in waging its fight against an opposition faction, p. 87.

Corporations, § 18.1 — Solicitation of proxies — Personal expenditures by management.

2. The management of a holding company should not be prohibited from expending their personal funds for the purpose of engaging professional solicitors of proxies or otherwise presenting their views in the solicitation of proxies, in the absence of a showing of a valid reason for imposing such restrictions, p. 87.

RE STANDARD GAS & ELECTRIC CO.

Corporations, § 18.2 — List of stockholders — Duty to furnish.

3. A holding company should be required to furnish a list of stockholders to two stockholders seeking election to the company's board of directors and proposing to solicit proxies, as it is in the public interest and appropriate for the protection of investors that these candidate-stockholders be afforded the same means and opportunity as the company of presenting their point of view; and it is appropriate that the company's solicitation be permitted only after it has given that opportunity to the candidate-stockholders by furnishing them with a list of stockholders, their addresses, and the number of shares held by them, p. 89.

Corporations, § 18.1 — Proxy solicitation material — Facilitating mailing.

4. A holding company should be required to mail solicitation material of two stockholders seeking election as directors at the same time that the company mails its own material and to address to stockholders envelopes furnished by these two stockholders to be used in mailing follow-up solicitation material, since the company has available to it the mechanical facilities for economically and efficiently addressing the envelopes and by this means both factions in a proxy contest are given the same opportunity to present their views, p. 90.

Corporations, § 5 — Powers of Commission — Proxy solicitation.

5. The Securities and Exchange Commission has power under § 12(e) of the Holding Company Act, 15 USCA § 79l(e), to issue such orders in connection with the solicitation of proxies as are necessary or appropriate in the public interest or for the protection of investors; and while Rule U-61 makes applicable the proxy regulations adopted under the Securities Exchange Act, those rules by no means are the limits of Commission power to regulate proxy solicitations of companies subject to § 12(e), p. 90.

Corporations, § 18.1 — Solicitation of proxies. — Restrictions.

6. A holding company and an opposition faction were restricted from further distribution of their proxy solicitation material until the company had mailed its own and the opposition's initial proxy solicitation material, p. 91.

APPEARANCES: A. Louis Flynn and H. P. Reynolds, and Abner Goldstone; for Standard Gas and Electric Company; Guggenheimer & Untermeyer, by Alfred Berman, for Kent Cochran and C. A. Johnson; Paul S. Davis and Theodore Plotnick, for the Public Utilities Division.

By the COMMISSION: Standard Gas and Electric Company ("the Company"), a registered holding company, filed with this Commission certain proxy solicitation material for the

purpose of soliciting proxies on behalf of its management from holders of the Company's prior preference stock (\$7 cumulative and \$6 cumulative), \$4 cumulative preferred stock ("\$4 preferred") and common stock, in connection with the election of a board of directors of the Company at its annual meeting to be held on December 4, 1946. The Company also filed a declaration, with amendments, pursuant to Rule U-65 promulgated under the Public Utility Holding Company

SECURITIES AND EXCHANGE COMMISSION

Act of 1935 ("the Act"),¹ which stated that the Company proposed to retain Georgeson & Co. of New York, New York, to assist it in connection with the proposed proxy solicitation and that directors, officers, and other regularly or specially engaged employees of the Company might also solicit proxies without additional remuneration. The declaration under Rule U-65 set forth the following estimate of expenditures to be made by the Company in connection with the solicitation:

Estimated cost of handling, addressing, and mailing	\$3,500
Estimated cost of printing and postage	8,500
Fee of Georgeson & Co.	3,500
Estimated out-of-pocket expenses and disbursements of Georgeson & Co.	5,000
Estimated cost of solicitations by telephone and telegraph	500
Total	\$21,000

Kent Cochran and Christian A. Johnson ("petitioners") have stated that they own 7,600 shares of the \$4 preferred and represent a group which holds (including petitioners' stock) approximately 70,000 of the 757,000 shares of outstanding \$4 preferred stock. Petitioners filed with this Commission certain proxy solicitation material for the purpose of soliciting

proxies from the holders of the \$4 preferred in support of their election as directors. The Company's certificate of incorporation provides that holders of the \$4 preferred, voting as a class, are entitled to elect two directors.²

The petitioners opposed the Company's declaration under Rule U-65, contending that the proposed payment to Georgeson & Co. should not be permitted and that the proposed expenditures for preparing and mailing the proxy solicitation material were excessive. In this connection, the petitioners also urged that the Company's management be prohibited from expending their personal funds to retain Georgeson & Co. and that the personnel of the Company, other than its directors, as well as the personnel of the Company's subsidiaries, should not be permitted to solicit proxies. The petitioners also filed a petition requesting the entry of an order, pursuant to §§ 12(e), 14, 15(g) and 22(a) of the Act, 15 USCA §§ 79l(e), 79n, 79o (g), 79v(a), (1) requiring the Company to furnish to them, upon payment of reasonable cost of preparation, a list of the holders of the \$4 preferred, including the address and amount of

¹ Rule U-65 provides:

"(a) *General provision.*—Except pursuant to a declaration notifying the Commission of the proposed transaction, which has become effective in accordance with the procedure specified in Rule U-23, and pursuant to the order of the Commission with respect to such declaration under the applicable provisions of the Act, no registered holding company or subsidiary thereof shall expend any money or other consideration in connection with the solicitation of any proxy, consent, or authorization regarding any security of such company.

"(b) *Exceptions.*—This rule shall not apply to—

"(1) Ordinary expenditures in connection with preparing, assembling, and mailing proxies, proxy statements, and accompanying data;

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or "(2) Other expenditures not in excess of \$1,000 during any one calendar year.

"(c) *Scope of declaration.*—A declaration with respect to any matter within the scope of this rule shall state the amounts and purposes of the sums proposed to be expended, and set forth any information available to the company as to any contest which has arisen, or may arise, with respect to the subject matter of such solicitation. Any such declaration may be included in any application or declaration filed with the Commission as to any related matter."

² In addition, the holders of the prior preference stock (\$7 cumulative and \$6 cumulative) are entitled to elect two directors and the holders of the common stock are entitled to elect four directors.

RE STANDARD GAS & ELECTRIC CO.

holdings of each such stockholder as of October 16, 1946 (the record date for voting of stock at the annual meeting), and (2) prohibiting the Company from soliciting or causing or permitting any other person to solicit in its behalf proxies, authorizations, or consents in connection with the annual meeting until the Company furnished the requested stockholders' list. The petitioners further requested that, upon payment of the cost of preparation, the Company address to the holders of the \$4 preferred such envelopes as petitioners might furnish and return such envelopes to them.

On November 12, 1946, we heard argument on these matters. On November 13th, on the basis of the argument and documents filed with us by the parties, we entered an order denying effectiveness to the Company's declaration and prohibiting it from making expenditures other than for the purposes specified in paragraph (b) of Rule U-65.³ We further ordered, subject to payment by petitioners of reasonable costs, (1) that the Company, simultaneously with the mailing to the holders of the \$4 preferred of its own proxy solicitation material, mail to such holders copies of petitioners' solicitation material, (2) that the Company address to holders of the \$4 preferred envelopes furnished by petitioners and return such envelopes to petitioners, and (3) that the Company furnish petitioners with a list of the holders of the \$4 preferred.⁴

The following day, November 14th, the Company filed a petition for rehearing and a motion to vacate our order. We granted the petition and ordered reargument. At the reargument, which took place the same day, it was pointed out, *inter alia*, that petitioners had distributed their proxy solicitation material to certain brokers on November 12th.

After reargument and consideration of the additional facts and arguments advanced, we issued an amended order, which affirmed our earlier order, and further provided that neither the Company nor petitioners should further distribute their proxy solicitation material prior to the date that the Company mailed the initial proxy solicitation material (i.e., its own and petitioners') to stockholders and that petitioners should furnish to the Commission evidence that each of the brokers, who had already received their solicitation material, had been requested to refrain from forwarding such material to the clients of such brokers until the Company's material was also available to the brokers.⁵

Because of the urgent need for expedition in the decision of the matters raised in the argument and reargument, we did not have the opportunity to issue an opinion setting forth in greater detail the reasons for our two orders, and we reserved the right to file this statement of our views.

1. *The Proposed Expenditures*

[1, 2] As has been indicated, the Company in its declaration under Rule

no formal presentation of evidence and none was requested. In reaching our conclusions we have relied only on those facts as to which there was no disagreement by the parties.

⁵ Holding Company Act Release No. 7000, Nov. 14, 1946.

³ See note 1, *supra*.

⁴ Holding Company Act Release No. 6996, Nov. 13, 1946. It may be noted that the procedure followed was adopted to enable the expeditious disposition of the matters presented which both parties requested. There was

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U-65 proposed an expenditure of \$21,000 in connection with the proxy solicitation, including a fee of \$3,500 and estimated expenses of \$5,000 to be paid to Georgeson & Co., which was to employ approximately seventy-five persons to solicit proxies on behalf of the Company's management.

Rule U-65 provides, in substance, that, except pursuant to an effective declaration thereunder, no registered holding company or subsidiary shall expend more than \$1,000 during any one calendar year in the solicitation of proxies, in addition to the ordinary expenses of preparing, assembling and mailing the proxy material. This rule, which is predicated primarily upon the power given the Commission under § 12(e) of the Act to promulgate rules, regulations, or orders with respect to the solicitation of proxies, was intended to bring before this Commission all cases in which extraordinary expenditures are proposed by a company in connection with a proxy solicitation so that the Commission may be informed of all the material facts and be afforded an opportunity to determine the propriety of the contemplated expenditures. Thus, for example, when the employment of professional proxy solicitors at corporate expense is proposed, the Commission must be apprised of the purpose and methods of

the solicitation and the sums to be expended, and is thereby enabled to determine the appropriateness of the proposed expenditures. Rule U-65 was promulgated for the specific purpose of preventing excesses and abuses in the expenditure of corporate funds in a proxy campaign.⁶

The proxy affords to the widely scattered security holders of the present day corporation their principal means of participating in the affairs of their corporation, and this Commission's policy has been to make the proxy statements under its jurisdiction an instrument through which stockholders are provided with information necessary for them intelligently to exercise their vote in corporate affairs. It is appropriate, therefore, that the corporation bear the usual and normal expenses incurred in such solicitations and such expenses are specifically exempted from Rule U-65. However, in the absence of adequate cause the corporate treasury should not and may not be taxed for additional and extraordinary expenditures.⁷ In the instant case, the Company has shown no satisfactory basis for permitting it to expend *corporate funds* in soliciting proxies by such devices as employment of paid solicitors to aid the management in waging its fight against the opposition faction.⁸

⁶ In announcing the adoption of Rule U-65 the Commission stated:

" . . . immediate effectiveness [of Rule U-65] was necessary to prevent substantial expenditures of corporate funds by the management of a registered holding company to employ solicitors to aid them in obtaining proxies in a contested election before the Commission had an opportunity to pass upon the propriety of such expenditures under the provisions of § 12(e) of the act." (Holding Company Act Release No. 2681, April 9, 1941.)

⁷ Cf. *Lawyers' Advertising Co. v. Consolidated* 66 PUR(NS)

dated R. Lighting & Refrigerating Co. (1907) 187 NY 395, 80 NE 199; *Hall v. Trans-Lux Daylight Picture Screen Corp.* (1934) 20 Del Ch 78, 171 Atl 226. See Arthur H. Dean, *Noncompliance with Proxy Regulations* (1939) 24 Cornell Law Quarterly, 483, 489.

⁸ It should be noted that the Company's charter does not require any specified percentage of any class of stock to be represented at a stockholders' meeting in order to constitute a quorum. It is specifically provided that all action shall be taken at the meeting by a plurality of those present or

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Consequently, it is our view that the expenditures from the Company's treasury in connection with the proposed solicitation should be limited to expenditures exempted from Rule U-65—i.e., the ordinary expenses of preparing, assembling, and mailing the proxy solicitation material of the management plus \$1,000.⁹ Corporate expenditures and the use of corporate personnel (acting as such) for the purposes of the proposed solicitation must be so limited. On the other hand, we have been given no valid reason for imposing any restriction on the expenditures to be made by members of the management from their personal funds for the purpose of engaging professional solicitors or otherwise presenting their views in the solicitation of proxies.

2. *The Request for a List of Stockholders*

[3] The petitioners requested that the Company furnish them with a list of the holders of the \$4 preferred and thus afford them the same opportunity as the Company to make personal con-

tact and personal solicitation of the stockholders; such a list would also advise petitioners as to the amount of stock represented by proxies executed in their favor.

In *Re Northern States Power Co.*¹⁰ we held that a committee of preferred stockholders desiring to solicit authorizations was entitled to examine a preferred stockholders' list. We pointed out that this Commission has the power under § 15(g) of the Act to require such examination¹¹ and, in addition, that if it were found to be in the public interest or appropriate for the protection of investors, we could, in effect, furnish a stockholders' list to the committee, under the authority granted in §§ 14 and 22(a) of the Act.¹² We required the Company in that case, upon payment to it of reasonable costs of preparation, to deliver to the committee an up-to-date list of preferred stockholders as a condition of the withholding of our use of our statutory powers to require a filing of the list with us and to furnish a copy of the list to the committee.

voting. Accordingly, it cannot be argued that the employment of paid solicitors is necessary to assure a quorum.

⁹ See paragraph (b) of Rule U-65, note 1, *supra*.

¹⁰ (1945) Holding Company Act Release No. 6244, 62 PUR(NS) 108.

¹¹ Section 15(g) provides in part:

"It shall be the duty of every registered holding company . . . to submit the accounts, cost-accounting procedures, correspondence, memoranda, papers, books, and other records of such holding company . . . to such examinations, in person or by duly appointed attorney, by the holder of any security of such holding company . . . as the Commission deems necessary or appropriate in the public interest or for the protection of investors or consumers."

¹² Section 14 provides in part:

"Every registered holding company . . . shall file with the Commission such annual, quarterly, and other periodic and special reports, the answers to such specific questions

and the minutes of such directors', stockholders', and other meetings, as the Commission may by rules and regulations or order prescribe as necessary or appropriate in the public interest or for the protection of investors or consumers . . ."

Section 22(a) provides in part:

"When in the judgment of the Commission the disclosure of such information would be in the public interest or the interest of investors or consumers, the information contained in any statement, application, declaration, report, or other document filed with the Commission shall be available to the public, and copies thereof may be furnished to any person at such reasonable charge and under such reasonable limitations as the Commission may prescribe . . ."

Thus, under § 14, we could require Standard to file with us a copy of the list of \$4 preferred stockholders and under § 22(a) we could furnish a copy of such list to the petitioners.

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We think the same conclusion must be reached here. The petitioners have a legitimate interest in the election of directors and have a legitimate right to present their views to the stockholders. They are entitled to vote at the forthcoming election. They themselves are candidates for election, and the holders of the \$4 preferred, voting as a class, are entitled to elect two directors. We do not, of course, mean to indicate any agreement or disagreement with petitioners' views. We conclude merely that it is in the public interest and appropriate for the protection of investors that the petitioners be afforded the same means and opportunity as the Company of presenting their point of view to the stockholders and that it is appropriate that the Company's solicitation be permitted only after it has given that opportunity to the petitioners by furnishing them with a list of the holders of the \$4 preferred, their addresses, and the number of shares held by them.

3. *The Requirement That the Company Mail Petitioners' Solicitation Material and Address Envelopes for Petitioners*

[4, 5] In ordering the Company to mail the management's and petitioners' initial proxy solicitation material at the same time, we were imposing no moral obligation. Rule X-14A-6, promulgated pursuant to the Securities Exchange Act of 1934 and which is applicable to the instant solicitation by the terms of Rule U-61,¹³

requires the Company, upon payment to it of reasonable costs, to mail petitioners' material "with reasonable promptness after receipt of a tender of the material to be mailed. . . ; except that such material need not be mailed prior to the first day on which the solicitation is made by or on behalf of the management." In other words, in ordering the Company to mail to stockholders both sets of solicitation material at the same time we were merely giving expression to the requirement prescribed by Rule X-14A-6. Counsel for the Company seems to have conceded this fact and to have withdrawn any substantial objection to this requirement.¹⁴

In requesting that the Company address to the holders of the \$4 preferred such envelopes as they might furnish, petitioners stated that such envelopes were desired to enable them to expedite the distribution of their follow-up solicitation material. In the absence of such envelopes, they assert, they would be required to forward their follow-up material from their office in New York to the Company's principal office in Chicago, and that time, which is of the essence in the short period preceding the meeting, would be consumed; and, even more important, that they would be subjected to the risk of delay by the Company in mailing their material and possibly of its refusal to distribute the material. In this connection, it may be noted that counsel for the Company stated that if

¹³ Rule U-61 provides that the solicitation of any authorization regarding any security of a registered holding company or subsidiary company shall be subject to all rules and regulations adopted pursuant to § 14(a) of the Securities Exchange Act of 1934.

¹⁴ This portion of our order was conditioned on petitioners' submitting their material at 66 PUR(NS)

the Company's principal office on or before November 15, 1946 at 5 p. m. We were advised that the Company would not be ready to mail its material prior to that time, and the Company has stated that our requirement had not delayed it in distributing its solicitation material.

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petitioners' solicitation material were deemed objectionable it might not be distributed by the Company.

It is our view that the Company should, with all reasonable dispatch after mailing the initial proxy material and upon payment of reasonable costs, address the petitioners' envelopes and return such envelopes to the petitioners. The Company has available to it the mechanical means and facilities for economically and efficiently addressing the envelopes and the petitioners have offered to pay for the use of these facilities. By addressing the envelopes and making possible expeditious distribution of petitioners' follow-up solicitation material, both factions in the proxy contest are given the same opportunity to present their views to stockholders, who may, in turn, be in a better position to cast an informed vote.

Section 12(e) of the Act was intended to democratize the proxy solicitation machinery to the end that "such solicitations will not afford the basis for subtle control adverse to the interest of investors who have a right to be kept fairly and properly informed by representatives of their own choosing as against selfish, self-constituted, self-perpetuating cliques."¹⁵ Under § 12(e), we have the power to issue such orders in connection with the solicitation of proxies as are necessary or appropriate in the public interest or for the protection of investors. While Rule U-61 makes applicable the proxy regulations adopted under the Securities Exchange Act, those rules

by no means are the limits of our power to regulate proxy solicitations of companies subject to § 12(e). Moreover, it should be emphasized that once it has been determined that the Company is under obligation to mail petitioners' solicitation material to stockholders and that the Company is required to furnish petitioners with a stockholders' list, there is no additional obligation of substance imposed on the Company in requiring the addressing of petitioners' envelopes. And such procedure has the affirmative advantages of removing opportunities for friction and dispute between the Company and petitioners in carrying out our order and of placing the Company and petitioners in a more equal position with respect to follow-up solicitation material.

4. Restrictions on Distribution of Material

[6] As we have pointed out, we heard argument in this proceeding on November 12, 1946, and we entered our original order on November 13th. On November 12th petitioners distributed their material which was then effective under our rules to approximately thirty-five brokers, who had requested the material. These brokers had stock registered in their names and, in accordance with the rules of the New York Stock Exchange, where the \$4 preferred is listed, they had been notified that there would be a proxy contest.¹⁶ On November 13th, petitioners requested the brokers to refrain from forwarding the solicitation material to the beneficial owners

¹⁵ Sen. Rep. No. 621, p. 35 to accompany S. 2796 (Public Utility Act of 1935) 74th Cong., 1st Sess.

¹⁶ Rule 872 of the New York Stock Exchange prohibits a broker from exercising a

proxy regarding a security registered in his name where there is a contest as to any action to be taken at the stockholders' meeting, except pursuant to instructions from the beneficial owner.

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of the stock, and we were advised at the reargument that petitioners would make no further distribution of their material until the Company had mailed both its own and petitioners' material to the stockholders.

We deemed it advisable in our amended order to restrict both parties in any further distribution of their material until the Company had made the initial mailing of its own and petitioners' solicitation material. Inasmuch as there was some distribution of petitioners' material to brokers be-

fore we imposed this restriction, we ordered petitioners to furnish evidence that such brokers have been requested to refrain from forwarding petitioners' solicitation material until the Company's material is also available to such brokers. These requirements were imposed because we deemed it appropriate, under the special circumstances, of this case, to assure, in so far as possible, that initial distribution of both the Company's and petitioners' solicitation material would take place at the same time.

KENTUCKY COURT OF APPEALS

Commonwealth Air Transport, Incorporated v. John Ewing Stuart et al.

— Ky —, 196 SW2d 866
October 11, 1946

APPEAL from Circuit Court judgment confirming Commission
issuance of certificate of convenience to intrastate air-
lines; affirmed.

*Constitutional law, § 3 — Intrastate air carrier — Certificate from state — Inter-
state carrier as objector.*

1. An interstate air carrier which had filed an application with the Civil Aeronautics Board for permission to operate over certain routes was a proper party to challenge the constitutionality of a state statute under which an intrastate carrier was seeking authority to operate over parts of the same route, p. 94.

Certificates of convenience and necessity, § 60 — Nature of "grandfather clause."

2. Grandfather clauses in initial regulatory statutes satisfy the dictates of fairness by excusing an operating carrier from justifying his existing business in terms of public convenience and recognize as vested such rights as had grown up before the enactment of the statutes, p. 95.

*Certificates of convenience and necessity, § 60 — "Grandfather" clause — Pro-
tection of pioneer carriers — Liberal construction.*

3. Those air carriers who pioneer the way in a new enterprise deserve to

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have the grandfather clause in regulatory statutes liberally construed to preserve the positions they struggled to obtain, p. 95.

Certificates of convenience and necessity, § 60 — Grandfather rights — Operation prior to critical date — Effect of interruption.

4. Temporary interruptions in the operations on which a claim for grandfather rights is based do not avail to neutralize or nullify what otherwise would be regarded as bona fide operation on regular schedules prior to the critical date, p. 96.

Appeal and review, § 37 — Award of certificate — Scope of review.

5. The power of a court to review a Commission award of a certificate of convenience and necessity to an air carrier is limited to a determination as to whether the Commission decision was supported by substantial evidence, p. 96.

APPEARANCES: Stephens L. Blakeley, of Covington, for appellant; G. S. Milam, of Russellville, and M. J. Sternberg, Assistant Attorney General, for appellees.

STANLEY, Commissioner: The appeal is from a judgment confirming the issuance by the Kentucky Aeronautics Commission to J. E. Stuart et al., partners doing business as the Blue Grass Air Lines, of certificates of convenience and necessity for the operation of intrastate air transport lines (1) between Paducah and Louisville, via Madisonville and Owensboro, and (2) between Bowling Green and Ashland, via Louisville and Lexington. KRS 183.540. After a hearing, in which a number of protestants and competitive applicants were heard, the Commission determined that the Blue Grass was entitled to the certificates under the "grandfather clause" of the Act of 1944 (Chap 147), establishing and completing the system of state supervision, regulation, and control of intrastate common carriers by air. KRS 183.010, 183.530 et seq. The provision is a part of KRS 183.540, dealing with the granting of authority to engage in the business and

is as follows: "Provided, however, if it appears from the application that the applicant is engaged as a common carrier, as defined in KRS 183.010 (4), in the transportation of persons, property, or mail, and is operating on regular schedules over the route or routes served on June 13, 1944, the Commission shall forthwith issue to said applicant a certificate of public convenience and necessity authorizing said applicant to engage in transportation by air of persons or property or both, in intrastate commerce between all of the points in the state of Kentucky from which the applicant is operating on June 13, 1944."

We quote also for ready reference the applicable part of the definition referred to, KRS 183.010(4), namely: "When used in KRS 183.530 to 183.620: (a) The term 'common carrier' shall include all carriers for hire or compensation by air who operate, or seek to operate, over fixed routes or between fixed termini within the state of Kentucky."

The grounds of the appellant's protest have been sifted to two, namely: (1) The appellees did not establish their eligibility under the "grand-

KENTUCKY COURT OF APPEALS

father clause" and (2) that clause is or would be unconstitutional if made applicable to the state of facts proven.

[1] We dispose first of the argument of the appellees that the appellant may not challenge the constitutionality of the provision because it is not affected by it and because it had invoked the benefits of the act itself. We differ with the appellees. The appellant had protested the granting of the certificates to the appellees as a prospective competitor. In substitution by assignment, it had applied to the Civil Aeronautics Board under the Federal Air Commerce Act of 1926, 49 USCA §§ 171-184, for authority to engage in interstate air commerce covering parts of the same routes, and its rights would be injuriously affected if the appellees should succeed when under a valid law they ought not to do so.

It is to be observed that the challenge does not go to the constitutionality of the provision as a statutory rule but only as being violative of the equal protection provisions of the Federal and state Constitutions by discriminatory enforcement, i.e., if it be applied to the particular state of facts. This contention is within the principle thus stated in the leading case of *Yick Wo v. Hopkins* (1886) 118 US 356, 30 L. ed 220, 6 S. Ct 1064, 1073: "Though the law itself be fair on its face, and impartial in appliance, yet, if it is applied and administered by public authority with an evil eye and an unequal hand, so as practically to make unjust and illegal discriminations between persons in similar circumstances, material to their rights, the denial of equal justice is still within the prohibition of the Constitution."

66 PUR(NS)

Cf. *Strand Amusement Co. v. Commonwealth* (1931) 241 Ky 48, 43 SW2d 321.

The argument with respect to this rule of constitutional construction is premised upon the contention that the appellees were not in fact engaged as a common carrier on June 13, 1944, and proved only a "token" engagement over these lines on that day, and did not transport a single passenger or article of property. We think the premise fails. In our opinion, there is no straining or stretching of the facts or of the law in order to bring the appellees within the letter and the spirit of the "grandfather clause." So the constitutional question goes out.

The Blue Grass had also sought a certificate to serve Covington and Danville, but the Commission found they had not established their right under the "grandfather clause" to do so. The vagueness of their proof with respect to those operations tends to confuse the evidence with respect to the lines for which certificates were given and which only are involved in this case.

We give a brief summary. The partnership began between two young brothers, into which their father later entered in order to afford better financing. As early as July, 1943, they had applied to the Federal Civil Aeronautics Authority for a license to engage in interstate commercial aviation in and out of their home city of Russellville. In January, 1944, they had purchased an airplane with the view of entering the business. In March and April of that year they made contracts for the use of airports and their facilities at Louisville, Paducah and Ashland and paid fees under them. On

COMMONWEALTH AIR TRANSPORT, INC. v. STUART

March 15th they established and published schedules or time tables in several newspapers and solicited patronage. On April 17th they made a contract to carry Louisville newspapers to Bowling Green and had regularly done so. Before June 13th they had acquired three small planes, one capable of carrying two and the others three passengers each. They had employed two licensed pilots, and one of the partners is also a pilot. While the parties testified unequivocally that they had operated the lines regularly and continuously from March 15, 1944, they conceded that there had been interruptions in their schedules and they had often flown without passengers. It appears that they kept few if any substantial records before May, and the evidence is vague as to that prior period. But it is fairly well shown that they had afterwards established ticket offices or made arrangements for the sale of tickets at their stations and had kept adequate records. These records show that on some days no passengers were carried and probably that trips were omitted altogether. But they were holding themselves out for service. Their operations in and out of Ashland during this period were less regular than on the other lines. It is pretty well shown, however, that the omissions generally were when the plane had been delayed because of weather conditions and advice had been received by telephone to Lexington that there would be no passengers out of Ashland. The airport facilities in that city were hazardous in bad weather since the port was small in area, had sod runways and the visibility is often poor because of its proximity to the Ohio river. On June

12th and 13th, the day set in the "grandfather clause," the appellees operated a leased plane from Owensboro to Ashland via the cities on their two routes, and also via Danville and Covington. It appears that one of their planes was being "checked" and not available for operation. It so happened that not a single passenger was carried on that day. This is what the appellant says was only a token operation. If that were all in the record their claims would be substantial, but, as indicated, there is much more.

[2, 3] The term "grandfather clause" is the popular designation of provisions in the Constitutions of some of the southern states that exempt from property and literacy restrictions on suffrage all descendants of men who voted before 1867. Webster's New International Dictionary. In initial regulatory statutes they satisfy "the dictates of fairness by affording sanction for enterprises theretofore established." *United States v. Maher* (1939) 307 US 148, 83 L ed 1162, 28 PUR(NS) 95, 99, 59 S Ct 768, 771. They serve to avoid hardships which would result from forcing a carrier to justify his existing business in terms of public convenience, and recognize as vested such rights as had grown up before the enactment of the statute. *Crescent Express Lines v. United States* (1943) 49 F Supp 92, affirmed (1943) 320 US 401, 88 L ed 127, 52 PUR(NS) 494, 64 S Ct 167. Pioneering is not all geographic. The struggles of the early transportation systems in this country are matters of history. We do not forget that in the beginning of public transportation by motor car in our own generation ordinary passenger automobiles were often

KENTUCKY COURT OF APPEALS

used and the services were frequently interrupted by the conditions of the cars and of the highways. Those who pioneer the way in a new enterprise have the right to have these "grandfather clauses" liberally construed to preserve the positions which they have struggled to obtain. *United States v. Carolina Freight Carriers Corp.* (1942) 315 US 475, 86 L ed 971, 43 PUR(NS) 423, 62 S Ct 722. Of interest also are monographs 36 Yale Law Journal 163, 184; 28 Michigan Law Review 107, 117; 41 Michigan Law Review 162; 1 Journal of Air Law 76.

[4] We think the appellees clearly manifested their right when consideration is given to the fact that they were pioneering and blazing a new trail, or rather a new system of transportation, under the handicaps of war by a method that was in a stage of development. It was experimental, for previous to that day people generally had not become accustomed to that mode of travel, especially for relatively short distances. It was a new business locally. It may be of significance that the term "common carrier" as used in the "grandfather clause" also includes carriers who "seek to operate." A fairly consistent pattern of operations was shown. It cannot be said that the services were incidental, sporadic or infrequent. Temporary interruptions or limited facilities do not avail to neutralize or nullify what would otherwise surely be regarded as bona fide operations as a common carrier on regular schedules on June 13, 1944. Between that day and the time of the hearing by the Aeronautics Commission (November, 1944) the applicant,

Blue Grass Air Lines, had increased their equipment, were seeking to acquire additional planes from the war surplus, and otherwise had proven their ability and purpose to furnish adequate and efficient service. No question was raised as to their compliance with other requisite conditions.

The Federal law, 49 USCA § 481 (e) provides for the issuance of a certificate of public convenience and necessity to any air carrier which could show that for a certain period before the effective date of the act it had "continuously operated as such (except as to interruptions of service over which the applicant or its predecessor in interest had no control)" unless the service was shown to be inadequate and inefficient. The Federal Board has given a liberal construction and application of this provision in several decisions and these carry some persuasion if citation of authority be desired. See *Re Marquette Airlines* (1939) Docket No. 7-401 (e)-1; and *Re Inland Airlines* (1939) Docket No. 26-401(e)-1, Vol. 1, Reports of Civil Aeronautics Authority, 34, 301.

[5] The legislature entrusted to the Commission which it created the power to determine whether an applicant shall have a certificate authorizing it to engage in the public transportation of passengers and goods by air. It limited the courts on review to determine only if a factual decision of the Commission is supported by substantial evidence. We are of the opinion that the decision of this case by the Commission is so supported, and that the judgment should be, and it is, affirmed.



Industrial Progress

A digest of information on new construction by privately managed utilities; similar information relating to government owned utilities; news concerning products, supplies and services offered by manufacturers; also notices of changes in personnel.



\$27,000,000 Program Proposed By Public Service of Colorado

THE PUBLIC SERVICE COMPANY OF COLORADO plans to spend \$27,000,000 in the next five years for expansion of its electric and gas facilities according to John E. Loiseau, president of the company.

About \$10,000,000 of the proposed expansion, Mr. Loiseau said, will be in the form of new gas mains to provide service for new house heating customers.

Other principal items in the expansion program were listed as a \$4,000,000, 35,000-kilowatt capacity steam turbine, a new electric circuit to Denver from its Valmont steam plant, and a 100,000-volt substation in south Denver.

Babcock & Wilcox Company to Expand Research Program

A. G. PRATT, president of The Babcock & Wilcox Company, announced recently a program of expanded research in a building on a 20-acre site purchased by it near Alliance, Ohio, from the Buffalo Weaving and Belting Company. Mr. Pratt stated that all the research activities of The Babcock & Wilcox company, now carried on at its plants, eventually will be centered in the new research development.

"Development of a larger and separate research department has become necessary because of the company's expanded operations and in order to meet postwar opportunities and demands," said Mr. Leslie S. Wilcoxson, vice president in charge of research and development. "This need was recognized more than a year ago when plans were projected for the new department. A distinctive feature of the research program is that eventually it will be separate from manufacturing activities. Meanwhile, as the program is developed, research work in existing laboratories at the Barberton and Bayonne plants will continue."

Mr. Wilcoxson said that fields to be covered in the research program will include generation of steam, combustion methods, utilization of fuels, metallurgy and welding, refractories, and other fields closely connected with the company's extensive manufacturing program.

New Jet Tube Cleaner Motors

Two new jet motors for tube cleaning, said to be the most powerful and efficient ever built, have been announced by the Elliott

Company-Roto Division, Newark 1, New Jersey. The new motors, called the Roto Air Jet and the Roto Water Jet, driven by air and water respectively, were developed after extensive aerodynamic and hydrodynamic research. The Air Jet motor can be adapted to operate with steam.

According to the company's laboratory and field test data, the power developed by the new Roto Air Jet Motor is so much greater than is required or desired for ordinary tube cleaning applications, that commercial models have been throttled down to operate at only a fraction of their potential power. Yet they develop from 100 per cent to over 250 per cent more power than previous Roto motors, the larger sizes showing the greatest increases. Air consumption per horsepower has been reduced 60 per cent to 80 per cent.

Philadelphia Gas Works Co. Prepares for Bigger Demand

To meet increasing demands of 500,000 gas users, the Philadelphia Gas Works Company is enlarging the pumping facilities at its manufacturing plants and distribution points in the city.

One of four huge compressors ordered by the company has just arrived, and the other three compressors are nearly finished and ready for shipment.

Birmingham Gas Plans to Increase Capacity

AN expansion program increasing its capacity by 60 per cent over its 1945-46 capacity, is being planned by Birmingham Gas Company.

The proposed plan contemplates adding between 15,000,000 and 20,000,000 cubic feet of gas to the daily capacity.

EEl Issues New Specifications

EDISON ELECTRIC INSTITUTE has recently issued two new "Specifications"—one covering "Pole Guards" (No. TD-12) and the other "Pole and Tower Steps" (No. TD-15).

These "Specifications" are part of a series to be issued by the Transmission and Distribution Committee of the Edison Electric Institute, covering various materials used in line construction. They are intended to be used by member companies as an aid in preparing their own specifications for the purchase of these materials. They have been prepared after a considerable amount of coöperative study be-

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tween representatives of the power companies and also of hardware manufacturers. It is believed that a general use of these "Specifications" will be of advantage to both user and manufacturer in promoting simplification and uniformity of requirements and of products.

\$2,900,000 Expansion Planned By Diamond State Telephone

THE DIAMOND STATE TELEPHONE COMPANY plans to spend approximately \$2,900,000 during 1947, the biggest year of expansion in the history of the company, Donald M. Huber, manager, announced recently. This compares with \$2,000,000 spent for expansion during 1946.

Major additions are planned for four central office buildings, and equipment additions will be made in almost all of the present offices, he said. Also, the company plans to place approximately 30,000 miles of wire, enough to stretch almost 10 times from coast to coast.

\$12,000,000 Unit Proposed by Public Service Elec. & Gas

CONSTRUCTION of a third 100,000-kilowatt generating unit for installation in its new Sewaren generating station to meet the peak load forecast for 1950, has been authorized by Public Service Electric and Gas Company. The new installation, estimated at \$12,000,000 brings to \$38,000,000 the total cost of the new generating station.

Construction work is now under way on the initial step in the project, which includes two 100,000-kilowatt units scheduled for operation in the Fall of 1948.

The newly-authorized equipment will be similar in design to that which has been purchased for the first two units. It will include a 100,000-kilowatt, high-pressure, high-temperature turbine, with a semi-outdoor type boiler, and the necessary auxiliary apparatus, and transformers and electrical equipment for making the generator output available on the 132,000-volt transmission system.

Planned Lighting Program Sponsored by EEI

AN industry-wide Planned Lighting Program, which will provide electric utility companies with the most comprehensive promotional and educational campaign ever aimed at increasing the use of better lighting in five major markets—residential, store, school, office and industrial—and which is based upon the practical knowledge and ideas of utility lighting men of long experience, has been authorized by the board of directors of the Edison Electric Institute, and announced by Grover C. Neff, president of the Institute.

The need for an intensive all-industry effort to sell lighting in these five markets was indicated by many individual electric companies, Mr. Neff said, and the program is sponsored by the Institute in answer to their

requests. The Planned Lighting Program is expected to be ready for use in 1947.

The supplying of one complete program which the entire industry can use will eliminate much duplication and waste of effort, Mr. Neff declared. It will also help the electric company better to map its own lighting development plans, and to select promotional material that is especially suited to its needs.

A sales plan book, outlining suggested procedures, will be prepared for each of the five lighting markets mentioned, and will be backed up by a complete line of promotional aids.

Emphasizing the importance of the lighting load to power company revenues, Mr. Neff pointed out that "Lighting is one service that is used by all." It has been and probably will continue to be the backbone of the industry. The lull in lighting promotion caused by the war has created a backlog in demand which now presents us with the greatest opportunity and market for development in lighting in the industry's history.

The lighting program is confidently expected to prove so successful, Mr. Neff said, that it will be continued from year to year. Suggestions from electric companies who use the program will be employed in its preparation, in conjunction with an advertising agency experienced in the lighting-field—which will keep the program constantly abreast of changing conditions.

New Construction Hand Book

A NEW edition of the Horn Construction Data and Handbook has just come off the press.

The first section of the handbook gives compact technical data on all Horn products, such as flooring materials, exterior and interior coatings, roofing materials, waterproofings, dampproofings, and admixtures together with descriptions of uses, coverage, color data, and speed specifications.

The second section of the handbook contains many useful tables, conversion factors, estimating tables, weights and strengths of building materials, etc.

A copy of this reference book will be sent free to executives, engineers, and contractors upon written request.

Changes Firm Name

THE CONNELLY IRON SPONGE AND GOVERNOR COMPANY, a New Jersey corporation with plants and offices in Chicago, Illinois, Elizabeth, New Jersey, and Los Angeles, California, has announced a change in the firm's name to Connelly, Inc., effective after January 1, 1947.

According to Arthur L. Smyly, president, who is celebrating his fortieth year with the company, Connelly, Inc., will carry on the production and sale of Iron Sponge for gas purification, manufacture of Caloroptics, BTU control equipment, H₂S Testers, Ph kits, and other products.

The manufacturing rights of Connelly back pressure valves, Connelly governors and manometers have been acquired by the Norwalk

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Valve Company, South Norwalk, Connecticut. Connelly plans no change in the management or policy of the company.

Georgia Power Rushing Work On Transportation Program

IN order to care for an increasing volume of traffic—a volume estimated at 153,800,000 passengers in 1946 and still going up—the Transportation Division of the Georgia Power Company is rushing to complete its \$7,300,000 transit modernization program in Atlanta.

The original estimated cost of this program was \$5,000,000. But increased costs, along with expansions made necessary by unexpected traffic gains, already have pushed the cost estimates up to \$7,300,000. And it is probable that before completion the program will cost \$8,000,000.

Of the total cost of the program, the Company already has expended \$2,800,000, and has \$4,500,000 for this year.

In addition during 1948, the Company plans to expand its services and thereby bring its total expenditures for traffic modernization in the area to around \$8,000,000.

Cleveland Electric to Install Another 90,000 KW Unit

THE CLEVELAND ELECTRIC ILLUMINATING COMPANY announced recently that it has completed arrangements for the installation of a 90,000 kilowatt turbo-generator at its Avon power plant in Ohio. A similar installation, ordered last summer, will increase the generating capacity of the plant at Avon to 400,000 kilowatts, or a total for the illuminating system to 984,000 kilowatts. Cost of the two generators, which are scheduled for installation in the fall of 1948 and 1949, together with the addition to the plant to house them, additional boilers and other auxiliary equipment, is estimated at \$25,000,000.

Opens New West Coast Plant

TO provide service for the increasing number of electrical connector users in the western states, the Burndy Engineering Company has opened a new factory and warehouse in Vernon, California.

The new plant will manufacture many of the connector types which are also produced at the company's main factory in New York city. Substantial stocks will be maintained on all of the more commonly used connectors.

Facilities have been provided to produce connectors on short notice in cases of emergency.

Construction Loans Announced

CONSTRUCTION loans—chiefly for distribution lines, system improvements or new or additional generating capacity—recently were made to the following enterprises by the Rural Electrification Administration:

Central Iowa Power Cooperative of Cedar Rapids, Iowa, a new cooperative composed of eight REA distribution cooperatives in Central Iowa, \$5,000,000.

Matanuska Electric Association, Inc., Palmer, Alaska, \$40,000.

Arkansas Valley Electric Cooperative Corporation, Ozark, Ark., \$250,000.

Ashley-Chicot Electric Cooperative, Hamburg, Ark., \$174,000.

Cobb County Rural Electric Membership Corporation, Marietta, Ga., \$65,000.

Amicalola Electric Membership Corporation, Jasper, Ga., \$312,000.

Guthrie County Rural Electric Cooperative Association, Guthrie Center, Ia., \$170,000.

Clarke Electric Cooperative, Osceola, Ia., \$250,000.

Park Electric Cooperative, Inc., Livingston, Mont., \$185,000.

York County Rural Public Power District, York, Neb., \$637,000.

McLennan County Electric Cooperative, Inc., McGregor, Tex., \$160,000.

South Plains Electric Cooperative Inc., Lubbock, Tex., \$405,000.

Lamar Electric Membership Corporation, of Barnesville, Ga., \$96,000.

Presque Isle Electric Cooperative Association, Onaway, Mich., \$50,000.

Wayne County Rural Public Power District, Wayne, Nebraska, \$260,000.

Northeast Nebraska, Rural Public Power District, Emerson, Neb., \$330,000.

Cornhusker Rural Public Power District, Columbus, Neb., \$636,000.

Hamilton County Electric Cooperative Association, Hamilton, Tex., \$230,000.

Southeastern Indiana Rural Electric Membership Corporation, Osgood, Ind., \$320,000.

Stanton County Rural Public Power District, Stanton, Neb., \$220,000.

City of Paris, Tenn., \$685,000.

Northern Neck Electric Cooperative, Warsaw, Va., \$461,000.

Tri-County Electric Cooperative, Leesburg, Va., \$138,000.

Pend Oreille County Public Utility District Number 1, Newport, Wash., a new borrower, \$140,000.

Blue Ridge Electric Association, Young Harris, Ga., \$100,000.

M. J. M. Electric Cooperative, Carlinville, Ill., \$125,000.

Rush County Rural Electric Membership Corporation, Rushville, Ind., \$180,000.

Plymouth Electric Cooperative Association, Le Mars, Ia., \$315,000.

Tri-County Electric Cooperative, Rushford, Minn., \$450,000.

Harmon Electric Association, Hollis, Okla., \$67,000.

Duck River Electric Membership Corporation, Shelbyville, Tenn., \$810,000.

Ouachita Rural Electric Cooperative Corporation, Camden, Ark., \$433,000.

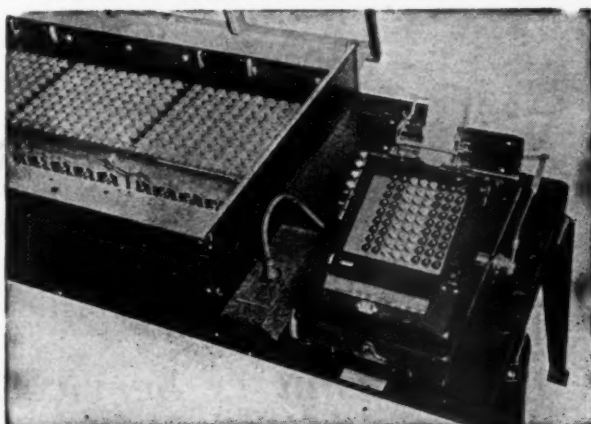
Jackson Electric Membership Corporation, Jefferson, Ga., \$82,000.

North Central Electric Cooperative, Inc., Bottineau, N. D., \$310,000.

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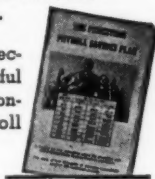


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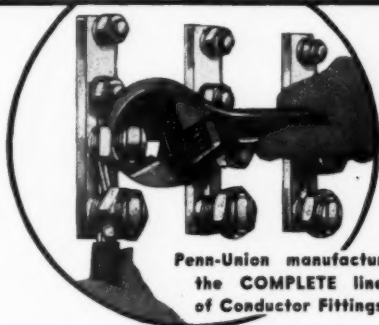
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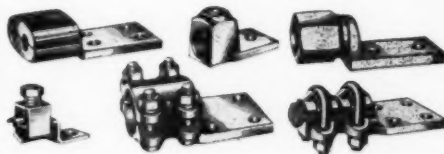
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